

Analysis of the Film and Video Industry in Arizona

December 2004



ARIZONA DEPARTMENT OF COMMERCE
Our Job is JOBS!

Prepared by

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EXECUTIVE SUMMARY

BACKGROUND

Arizona has a rich history in the film industry dating back to the early westerns, and has been the location for feature films, television series and commercials. In recent years, the amount of filming in the U.S., in general, and Arizona, in particular, has declined as production companies moved to lower cost locations, such as Canada and Mexico. The Film Industry in Arizona is important to the economy in that it brings in dollars from other states and countries to be spent here on payroll and film production services. It also has a firm basis in technology and innovation / entrepreneurship, and has both urban and rural components. While these are generally understood benefits of the industry, the Arizona Department of Commerce Film Office seeks a study that will define the film and video industry as a cluster, quantify the impacts of the industry, and analyze the industry in terms of state support programs (such as workforce development and education).

ECONOMIC IMPACT FINDINGS

The economic analysis of the film industry begins with the development of a definition of the film industry by the North America Industrial Classification System (NAICS) Codes, which were reviewed and approved by the client. Based on analysis of NAICS industries, the Film Industry is defined as the group of three industries shown in Table 1.

Table 1 – Definition of the Film Industry	
NAICS	Name
51211	Motion Picture and Video Production
51219	Postproduction Services and Other Motion Picture and Video Industries
51212	Motion Picture and Video Distribution

The Film Industry had a significant economic impact on Arizona in 2003. With total wages of approximately \$21.9 million, the Film Industry, in and of itself, generated over \$107 million in direct economic activity (or output) throughout the State of Arizona. In addition to the 612 film industry jobs, the Film Industry is responsible for the maintenance of an additional 1,092 indirect and induced jobs in Arizona. These jobs include those occupations that supply goods and services to companies in the Film Industry as well as jobs supported by the spending of the wages from the

direct and indirect jobs. This means that for every 100 Film Industry jobs in Arizona, another 182 jobs exist to service and support the Film Industry. Overall, approximately 1,704 total direct and indirect jobs in Arizona were supported by the Film Industry during 2003. These jobs generated about \$56.6 million in total wages and \$201.5 million in total economic activity (see Table 2 below).

Table 2 – Economic Impact of the Film Industry on the Arizona Economy - 2003			
Type	Jobs	Total Wages	Output
Direct	612	\$21,885,900	\$107,345,900
Indirect	665	\$20,856,400	\$59,407,300
Induced	427	\$13,856,600	\$34,698,300
<u>Total</u>	<u>1,704</u>	<u>\$56,598,900</u>	<u>\$201,451,500</u>

Source: ESI Corporation; Arizona Department of Economic Security; IMPLAN.

Film festivals held in Arizona also contribute to the Arizona economy. In 2003, the three operating film festivals brought in \$240,000 in revenue and had \$220,000 in expenditures of which \$170,000 was spent in Arizona. The average length of each film festival was three days with total attendance at these film festivals estimated at 19,800 people for 213 films.

The Arizona Department of Commerce tracks the value of film production expenditures in the state generated from out of state production companies. The last full year in which data is available is fiscal year 2003, during which there were a total of 427 completed projects translating into an estimated economic impact of \$41.6 million being spent on wages to local crews as well as the procurement of local goods and services. While there is no way of knowing precisely how much of the Arizona film industry total impact (Table 2) can be attributed to out of state production, the survey results do reveal anywhere from 10.9% to 25.7% of revenues were derived from out of state sources.

It is evident that out of state production is important to the local economy and it helps stimulate the growth of the local film industry. Both are needed to help sustain one another. Fostering the growth of Arizona's film industry will require a two pronged approach; one that focuses on strategies for strengthening the local film industry and the other promoting Arizona to out of state production companies.

OTHER KEY FINDINGS

- Since 2000, employment declined in Arizona's film industry by about 26.3% from 830 jobs in 2000 to 612 in 2003. By comparison, total employment in Arizona increased by 1.4% during this same period. Indeed, most of the job losses occurred in Metro Phoenix. Some 199 film industry jobs were lost in Metro Phoenix between 2000 and 2003. The balance of the state also experienced loss of jobs, as this area had 20 fewer jobs in 2003 than it did in 2000. Metro Tucson did experience growth in film industry employment, but just slightly, as Metro Tucson only gained 2 net jobs from 2000 to 2003.
- In addition to the statewide loss of film industry jobs, average salaries in the film industry declined statewide between 2000 and 2003. Average annual salaries for film industry jobs in Arizona as a whole dropped by 24.3% to \$35,773 in 2003. Metro Phoenix and the balance of the state saw declines in average salaries. From 2000 through 2003, average salaries for film industry jobs in these regions decreased by 21.5% and 41.6%, respectively. Metro Tucson, on the other hand, experienced an average salary increase of 7.6% from 2000 to 2003. The discrepancy between job losses in Metro Phoenix and the balance of the state and job gains in Metro Tucson can possibly be attributed to the qualifications of certain segments of workers. With the increased reliance on the highly technical post-production process, the demand for these workers has increased. And with a large percentage of the highly technical workers located in Metro Tucson and Metro Phoenix, it stands to reason that the change in their employment trends has an influence on the overall trends in Film Industry employment, and why the statewide differences in employment trends exist.
- Runaway production, where films to be shown in the U.S. are produced outside of the U.S., is a national phenomenon. Runaway production occurs because non-U.S. locations, such as Canada and New Zealand, are less expensive than U.S. locations. As more film productions are lured outside the U.S., the number of film productions taking place in the U.S. is dwindling. As a result, there is intense competition among the states trying to bring film productions to their state.
- In order to lure film productions, states have undertaken aggressive advertising, incentive, and marketing campaigns. These efforts have resulted in revamped websites which include photos of locations, information on permits and regulations, and directories of local technicians/crew just to name a few. Financial incentives are also being offered. These incentives include sales tax exemptions, income tax credits, and low-interest loans for film production activities. In addition, certain states have helped develop the local film technician and crew jobs as well as those companies that provide equipment to film productions. Nationwide marketing and previous filming experience has proven to be an effective means to increase "word of mouth" which appears to be one of the primary factors that producers rely on when considering a location.

- The states analyzed in this report consider the film industry as a major contributor to their economies because film production tends to bring money into the state from out-of-state sources. In Colorado, for example, about 75% of production company receipts came from out-of-state sources during 2001. By comparison, based on surveys conducted by ESI, only 21% of Arizona production company receipts came from out-of-state sources. As the number of film productions taking place in Arizona has dwindled in recent years, Arizona production and supplier companies have been forced to go where the work is. Currently, a majority of work within close proximity to Arizona is located in New Mexico.
- New Mexico is one of the more recent examples of the dramatic impact the film industry can have on an economy given a certain mix of incentives, advertising, and accessibility of information. Near the end of 2002, New Mexico enacted legislation calling for sales tax exemptions, income tax credits, and no-interest loans on film productions taking place in New Mexico. The result was a ten-fold increase in economic activity in the state. In 2002, the film industry spent about \$8 million in New Mexico. During 2003, the first year the incentives took place, film production picked up dramatically and spending reached approximately \$80 million. Indeed, if film production spending in New Mexico can go from \$8 million to \$80 million in one year, there is no reason to believe this could not happen in Arizona.
- The main concern of Arizona's resident film industry is the apparent lack of production business that is brought to Arizona. The most frequently stated reasons for the lack of production business in Arizona include lack of resources to thoroughly support and promote the state, lack of incentives, and lack of facilities and professional technicians. It was indicated that the stigma with Arizona is that the industry as a whole thinks there are not enough skilled crew in Arizona to support the needs of out-of-state productions. Compounding this problem is the lack of production projects in the state which has led to an exodus of talented professionals who have followed the business elsewhere.

RECOMMENDATIONS

The Arizona Film and Video Industry is at a crossroads. Fierce competition from abroad and technological advances in filmmaking have had an adverse impact on employment in the state. A number of initiatives need to occur in order for Arizona to regain its competitiveness, promote technology and innovation; encourage local and independent filmmaking; and attract more out-of-state film productions that enhance local economies and create jobs statewide.

In spite of the fact that jobs in this industry have declined over the last several years, Arizona has a solid foundation to build upon, which includes its rich history in

filmmaking, the current base of film technicians/crews, equipment, and facilities, as well as diversity of filming locations and weather.

The reality of the film industry in the U.S. is that states are competing for a limited number of film productions as more and more production takes place outside the U.S. As a result, recognizing the significant impact of film production on their economies, states have enacted aggressive marketing campaigns to maintain and enhance the film industry. Indeed, if film production spending in New Mexico can go from \$8 million to \$80 million within one year, there is reason to believe that the film industry could also have such an impact on Arizona.

Fostering the growth of the film and video industry in Arizona will require a collaborative effort that includes support from private business, government as well as education. With that in mind, the following recommendations include ways Arizona can emulate or even improve on best practices in other states, approaches for promoting local filmmaking, and address identified deficiencies through a team effort.

ESTABLISH COLLABORATIVE PARTNERSHIPS

- Work to unite the disparate pieces of the film industry in the state by soliciting their involvement in the development and implementation of a “Film in Arizona” marketing campaign.
- Encourage education and private business to work together to establish mentoring, internship and apprenticeship opportunities.
- Facilitate a seamless integration of service delivery by identifying the weaknesses in the film making supply chain and work to overcome those weaknesses.

FACILITATE AND PROMOTE LOCAL FILMMAKING

- Stimulate the creation of local filmmaking by working with the local film festivals and have an annual statewide competition which would culminate at an annual film festival with prizes presented by the Governor.
- Support local nonprofit organizations that promote the development of local filmmaking, such as the newly located Blacktop Films. This support could include helping to publicize the non-profit service to providing financial assistance.
- Develop an outreach program aimed at the Arizona film industry which would promote the small business assistance programs offered by the Arizona Department of Commerce.
- Create a revolving loan fund in conjunction with lending institutions that independent filmmakers could access to help with production and distribution costs of their films.

- Ensure the availability of future workers by encouraging the expansion of educational offerings at the high school and community college levels.
- Help Arizona's film industry stay competitive by promoting the availability of workforce development dollars to the industry.
- Inaugurate an annual filmmaking camp to foster interest among the state's youth. This could be done through a collaboration of the Arizona film industry and the colleges.

ESTABLISH INCENTIVES WITH A RETURN ON INVESTMENT

- Create an incentive program to attract out of state production companies that provides a tax rebate for utilizing Arizona talent, technicians/crews, and equipment.
- Ensure that incentives are understandable and easily obtainable. The types, amount, eligibility, and qualifications of incentives offered should be clearly documented on the Commerce's website. There should be as little administration as necessary in order to apply for incentives. Incentives are effectively useless if production companies perceive there to be too much "red tape" to be worth the effort.
- Support incentives that are geared toward smaller, resident independent film and video productions, such as loaning out equipment.

MARKETING AND PROMOTION

Based on the surveys conducted for this study, Arizona does not appear to be on the radar screen of most film production companies compared to other states. A more targeted, effective marketing strategy is needed to promote Arizona's diversity of locations, professional technicians/crews, and film festivals.

- Develop a branding and marketing plan to promote film production in Arizona. Implementation strategies should be stratified to target the various types of filming activity (feature films, commercials, television and cable, etc).
- Increase the amount of resources and marketing dollars to effectively compete for film business.
- Attend national and regional trade shows and work to establish personal relationships with production companies by scheduling regular sales calls.
- Advertise in national magazines that target the film production industry, such as *Hollywood Reporter* and *Daily Variety*.
- Promote Arizona as having more than just desert locations. Highlight places such as Flagstaff and Sedona for forested locations and Scottsdale and Tucson for urban landscapes.
- Help the film festivals secure big name signature sponsors, an example is Ralph Lauren's 20 year sponsorship of the annual Telluride Labor Day Film Festival.

- Promote local film festivals in national publications to draw larger audiences nationally and internationally.
- Provide more resources and staffing to increase the level of customer service. New Mexico was identified a number of times for their apparent willingness to help in any way they can to bring a production to their state. This higher level of customer service requires substantially more resources and staffing than currently available at the Arizona Department of Commerce Film Office.
- Develop a standardized tracking system for the State and Local Film offices to use annually in monitoring the value of out-of-state production. Information to be gathered should include revenue by project type (commercials, documentaries, films, television, videos, post-production), the number of projects, and the number of production days.

FILM OFFICE WEBSITE

Interviews with producers revealed that the website for a state's film office is one of the starting points in scouting locations for film productions. An organized, well-designed website with a wealth of information is one of the most effective means at marketing Arizona as a film destination. Following are suggestions for improvement to the current Arizona Department of Commerce website.

- Create a website link that is easy-to-use with all information available within two or three clicks. An unorganized, confusing website is a deterrent to most users.
- Include nearly all the location resources a production company could ever need to know about filming in Arizona such as the following:
 - ⇒ Online picture gallery of locations in Arizona
 - ⇒ All pictures should be downloadable
 - ⇒ Streaming video with state footage
 - ⇒ Clear description of permits for filming in Arizona
 - ⇒ Online permit applications including filing instructions
- Provide an online, searchable directory of up-to-date production resources including contact information for technicians/crews, equipment suppliers, studios, and trucking, etc.
- Supply an online directory of hotels, restaurants, entertainment venues, and any other attraction a potential production would desire while filming in Arizona.
- Include a clear discussion of the incentives available in Arizona to out of state production companies
- Create a website with an identifiable, easy-to-remember name. For example, Nevada's website is at www.NevadaFilm.com and Florida's website is at www.FilminFlorida.com.

I. INTRODUCTION

PURPOSE OF THIS REPORT

The purpose of this report is to determine the impact the Film Industry has on Arizona's economy. In addition to quantifying the Film Industry's economic impact on the Arizona economy, this report will assess Arizona's competitive advantages and disadvantages with respect to the desirability of filming in Arizona. Industry research, telephone interviews, and web-based surveys were conducted to help make recommendations for enhancing Arizona as a film destination.

STUDY PROCESS AND METHODOLOGY

The study process undertaken was multi-faceted and incorporated original research through the use of surveys and telephone interviews as well as a quantitative analysis determining the economic impact of the film industry on the State's economy. To accomplish this, a number of methodologies were used to measure the impact of the Film Industry on Arizona's economy and assess the State's competitive advantages and disadvantages.

The methodology for each section of this report is summarized on the following pages.

CHAPTER II : ECONOMIC ANALYSIS OF THE FILM INDUSTRY

The economic analysis of the film industry begins with the development of a definition of the film industry by NAICS Codes, which were reviewed and approved by the client. Based on analysis of NAICS industries, the Film Industry is defined as the group of three industries shown in Table 3.

Table 3 – Definition of the Film Industry	
NAICS	Name
51211	Motion Picture and Video Production
51219	Postproduction Services and Other Motion Picture and Video Industries
51212	Motion Picture and Video Distribution

Covered Employment and Wages data (formerly ES202) obtained from the Arizona Department of Economic Security was used to perform a quantitative analysis of the

industry in terms of total number of establishments, employment, and wages from 2000 through 2003 (the latest data available).

For the most current year available (2003), direct employment data was used to calculate the economic impact of the film industry in Arizona. Direct employment data from the industry was analyzed through the IMPLANPro economic impact model to document indirect and induced “multiplier” effects of the industry to the State. Refer to Appendix A for further detail.

CHAPTER III: STRUCTURE OF THE FILM INDUSTRY IN ARIZONA

A variety of survey instruments were used to gather information from a number of groups with ties to the film industry. These groups included production companies, film industry suppliers, in-house production, and film commissions. Other groups include universities and colleges, school districts, and film festivals.

This set of survey analyses document the structure of the film industry, and additionally was used as one method of collecting insights from knowledgeable individuals concerning the state’s competitive advantages and disadvantages.

The Arizona Department of Commerce identified an appropriate universe (group of people to be surveyed) for each survey and provided contact information.

The surveys were web-based, and featured automatic tabulation and reporting of defined answers (i.e. specific responses to fill in the blank questions are not used to tabulate by, but are recorded in the dataset). The surveys were conducted between May 6, 2004 and June 8, 2004. A total of 113 surveys across all film industry groups were completed resulting in an overall response rate of 16.9% (see Table 4). Based on this firm’s experience in conducting surveys and the overall response rate achieved in these surveys, the results from these surveys reasonably represent the trends and opinions of all entities included in the sampled population.

Table 4 – Survey Response Summary			
Film Industry Group	Survey Size	Respondents	Response Rate
Production Companies	346	53	15.3%
Film Industry Suppliers	240	32	13.3%
In-House Production	16	8	50.0%
Film Commissions	17	7	41.2%
Universities and Colleges	17	3	17.6%
School Districts	30	7	23.3%
Film Festivals	4	3	75.0%
Total	670	113	16.9%

Source: ESI Corporation

CHAPTER IV: FILM COMMISSION BEST PRACTICES FROM OTHER STATES

In conjunction with the Arizona Department of Commerce, six other states were identified in order to obtain best practice information. These six states are regarded by the profession as having the best film programs and have been extremely successful in attracting production to their state. Phone interviews were conducted with the film and economic development departments of these states to learn about their program activities, size of staff and funding levels, incentive programs, successes and the like.

CHAPTER V: ARIZONA'S COMPETITIVE ADVANTAGES AND DISADVANTAGES

The competitive advantages and disadvantages of Arizona were addressed through interviews with knowledgeable individuals both locally and out of state. The key factors and how Arizona is rated differs for feature films as compared to commercials, for example.

In consultation with the Arizona Department of Commerce, various sub-industries were identified. The key sub-industries included commercials, industrials/corporate films, documentaries, and feature films. Other sub-industries include sports programming, television and cable, and music video.

CHAPTER VI: CONCLUSIONS AND RECOMMENDATIONS

A set of recommendations has been made based on the research performed in the previously noted sections. These recommendations include ways to emulate or even improve on best practices in other states, approaches for addressing identified deficiencies, and methods for tracking success.

INDUSTRY TRENDS

FILM INDUSTRY OVERVIEW

The film industry in the United States generates over \$20 billion in direct economic activity each year, according to a 1999 study from the Monitor Company. This study ("The Monitor Report") was commissioned by the Directors Guild of America and the Screen Actors Guild of America to quantify the economic effects of runaway production on the U.S. The film industry includes production and distribution of films, television (series and TV movies), and commercials. Between 1990 and 1998, the U.S. film industry experienced rapid growth. According to the Monitor Report, the number of productions (film, TV, and commercials) developed in the U.S. increased by about 50% from 716 productions in 1990 to 1,075 in 1998. Feature films comprise a significant portion of these productions and overall expenditures. Feature film productions in the U.S. spent an estimated \$11 billion in 1998 (the latest data available). These expenditures include payroll, rent, and supplies just to name a few. These supplies can range from hotel rentals, car rentals, and catering to freeway tolls, construction materials, and wardrobe. The ripple effect of this spending is significant. According to the Monitor Report, the \$11 billion in direct spending on feature film production in the U.S. had an estimated ripple effect of \$16 billion in 1998. This additional economic impact includes the overall economic output of those businesses supplying goods and services to feature film production and the spending of the wages of the workers in the film industry and the suppliers. Including the estimated ripple effects, feature film production contributed an estimated \$27.7 billion to the U.S. economy in 1998. Additional economic activity is generated from television and commercial production. Estimates of the economic impact of these types of productions were unavailable.

The latest data available from the U.S. Bureau of Labor Statistics indicates that in 2003 there were nearly 365,000 jobs directly involved in the U.S. film industry, which is slightly down from 2002. There are two types of jobs in the film industry: above-the-line workers and below-the-line workers. Above-the-line staff generally includes the directors, writers, producers, and primary actors. These are the major players in a production. Below-the-line workers include non-primary actors, technicians, assistant directors, artists, specialists, unit production managers, and set movers, just to name a few. These jobs are behind the scenes of the productions. According to industry experts, approximately 70% to 80% of these below-the-line workers are hired locally where the production takes place. These workers typically do not follow the production when it changes location. In addition, these below-the-line jobs are relatively high paying. According to the U.S. Bureau of Labor Statistics, the average hourly wage for these types of jobs was \$20.75. By comparison, the average hourly wage was \$13.44/hour for a typical private sector job in the U.S.

RUNAWAY PRODUCTION

There are several factors that producers consider in choosing a location for a potential production. Over the past 30 years, production within the U.S. has concentrated in California, New York, Florida, North Carolina, Texas, and Illinois. Producers have generally favored these states because producers like to work where they live, and most live in the U.S. production clusters. These states are considered production clusters because they contain all the resources needed as well as financing, development, and distribution assets. According to the latest data from the U.S. Department of Commerce, these states account for 88% of the motion picture industry's revenue. They also supply 80% of the total employment and 65% of the total number of establishments in the industry. These states are typically favored because they fit the location needs of the particular production. Other states have attracted film production by promoting scenery and location attributes in their states that are not generally considered by most producers. In addition to these location attributes, the overall cost of producing in these locations, relative to the expected revenues from the project, is of primary importance. Producers are always searching for low cost locations. Over the past decade, U.S. productions have moved outside the U.S. into countries such as Canada, Australia, and New Zealand. This phenomenon is called "runaway production."

Runaway production occurs when a film that is released and developed in the U.S. is filmed in a foreign country. Most of the runaway productions occur due to cost factors. Locations in Canada, Australia, and New Zealand, for example, are sought after due to the fact that the cost of production is lower than that in the U.S. The frequency of this type of runaway production increased rapidly between 1990 and 1998. In 1990, about 100 films were produced outside the U.S., according to the Monitor Report. In 1998, the latest data available, the number of films produced outside the U.S. increased by approximately 185% to 285 films. If it were not for lower costs of production and other factors in those countries, these films would have been produced in the U.S. The foregone economic activity related to these productions is the result of the migration of film productions outside the U.S. According to the Monitor Report, the 285 films that were produced outside the U.S. in 1998 had an overall estimated economic impact of \$10.3 billion. This foregone economic impact (or output) includes \$2.8 billion in direct spending and the ripple effects of that direct spending totaled about \$5.6 billion.

INCENTIVES FOR RUNAWAY PRODUCTIONS

According to film industry experts, Canada, Australia, and New Zealand are the most popular countries for runaway production. These countries have adopted production plans that draw U.S. producers typically through the use of incentives. These incentives range from tax breaks on production spending to fee and permit waivers. When the effects of exchange rates, lower production costs, and incentives are considered, total production costs for a typical film production are about 25%

lower than if the production were to take place in the U.S. A study conducted by the Directors Guild of America and the Screen Actors Guild indicated that Canadian, Australian, and U.K. currencies have all declined by 15% to 23% since 1990 relative to the U.S. dollar. When you factor in the already low wage rates in Canada and Australia the overall savings becomes very significant.

According to the Monitor Report, Canada adopted a successful strategy in drawing U.S. producers to move their productions to Canada. Canada took an integrated approach toward luring U.S. film productions. As Canada used a series of incentive programs to attract producers, they included qualifying requirements to promote local hiring. This requirement for local hiring helped give local crews in Canada the necessary experience in film production that they otherwise would not have received. These incentive programs and local hiring qualifications also resulted in the development of the local physical infrastructure needed to support future film productions. Now that Canadian crews have the necessary experience in film production and the physical infrastructure is developed, there is no difference between the quality of filmmaking in Canada versus the U.S.

Canada's incentive programs include federal and provincial tax credits of 22% to 46% of labor expenses, which yield up to a 10% decrease in total expenses. U.S. film productions taking place in Canada nearly tripled between 1990 and 1998 (the latest data available). In 1990, about 63 productions took place in Canada. By 1998, about 232 productions took place in Canada. Indeed, Canada captures an estimated 81% of the total number of U.S. runaways. Other countries, such as Australia, which capture about 10% of U.S. film production, have begun to copy this strategy to gain more of the U.S. production market.

TECHNOLOGICAL ADVANCES

Recent advances in technology have created remarkable changes in the processes of film production. Contemporary filmmakers are now able to take advantage of new technology to reduce costs, increase productivity among their staff, and better choose production locations. Many filmmakers use new post-production advances to be able to scan film onto a videotape format and store the data on computers. This creates a "box" environment where producers and specialists can collaborate on different aspects of post-production over long distances. This has decreased the dependence on large, local post-production facilities. In addition, producers can use post-production service providers from around the world as opposed to only locally. Virtual environments and sound stages have also decreased the dependence on location for film producers. They are able to reduce production costs by filming scenes in front of green screens or using computers to digitally modify the surrounding area. The latest advancement is in digital filmmaking, which enables filmmakers to instantly review their footage, cutting down on production time and cost. The digital medium requires a new type of workforce that consists of individuals with technical backgrounds.

In this technologically advanced environment, skilled workers and a technical infrastructure are necessary for a viable production market to exist. Locations that have these resources are attractive to producers who are filling their crew locally. These resources commonly develop into production clusters, which contain all of the resources required. These resources include access to financing, development, and distribution resources. Production clusters are an advantage to producers and typically result in lower overall costs of production.

SHIFT IN TELEVISION PROGRAMMING

A noticeable trend in recent years has been a shift in programming from movie of the week to reality based television shows. One reason for the movement toward reality-based programming is due to changes in the audience. People are demanding more unpredictability in their television shows as opposed to the conventional linear programming, and reality shows provide this. In addition, many reality shows provide the audience a degree of control in the final outcome of the program. Shows such as *Big Brother* and *American Idol* allow audience voting and participation in determining the eventual winner of these shows. Consequently, advertisers and sponsoring partnerships have become increasingly eager to align themselves with these types of programs. The increased revenue opportunities from advertisers have subsequently led to the creation of more and more reality shows.

In addition to increased advertising revenue, reality television shows have also proven to be less expensive to produce than more conventional forms of programming. A typical one-hour drama on a commercial television network costs around \$2 million an episode. Studios will often lose money on the first airing of an episode, but recoup that cost by selling the show for syndication. Reality TV shows, however, can be produced for considerably less. Many of these shows cost only around \$1 million per one-hour episode. The reasons for this cost disparity are simple: such shows have no regular cast to pay and often have a minimal writing staff. They can also sometimes save on other production costs by using preexisting homes or other similar means to avoid expensive set construction and labor costs.¹

¹Day, Dwayne. "The Space Review" www.thespacereview.com/article/165/1.

II. ECONOMIC ANALYSIS OF THE FILM & VIDEO INDUSTRY IN ARIZONA

EMPLOYMENT AND WAGE TRENDS

FILM INDUSTRY DEFINITION

The Arizona Department of Economic Security (DES) collects employment and wage data through its quarterly Covered Employment and Wage (formerly ES-202) survey. This data pertains to workers covered by Arizona unemployment insurance laws and Federal civilian workers covered by Unemployment Compensation for Federal Employees program. Employment and wage data is collected from establishments in all 15 counties in Arizona and categorized by industry using the North American Industry Classification System or NAICS. The data includes average number of establishments, average employment, and total quarterly payroll (or wages).

DES reports employment and wage data by NAICS from the year 2000 through the present. Historical data prior to 2000 is reported by SIC code (the classification system that NAICS replaced). Due to the fact that there is no perfect conversion of SIC to NAICS data, the time series is discontinuous. For purposes of this analysis, covered employment and wage data from 2000 through third quarter 2003 (the latest data available) will be used.

Based on analysis of NAICS industries, the Film Industry is defined as the group of three industries shown in Table 5.

Table 5 – Definition of the Film Industry	
NAICS	Name
51211	Motion Picture and Video Production
51219	Postproduction Services and Other Motion Picture and Video Industries
51212	Motion Picture and Video Distribution

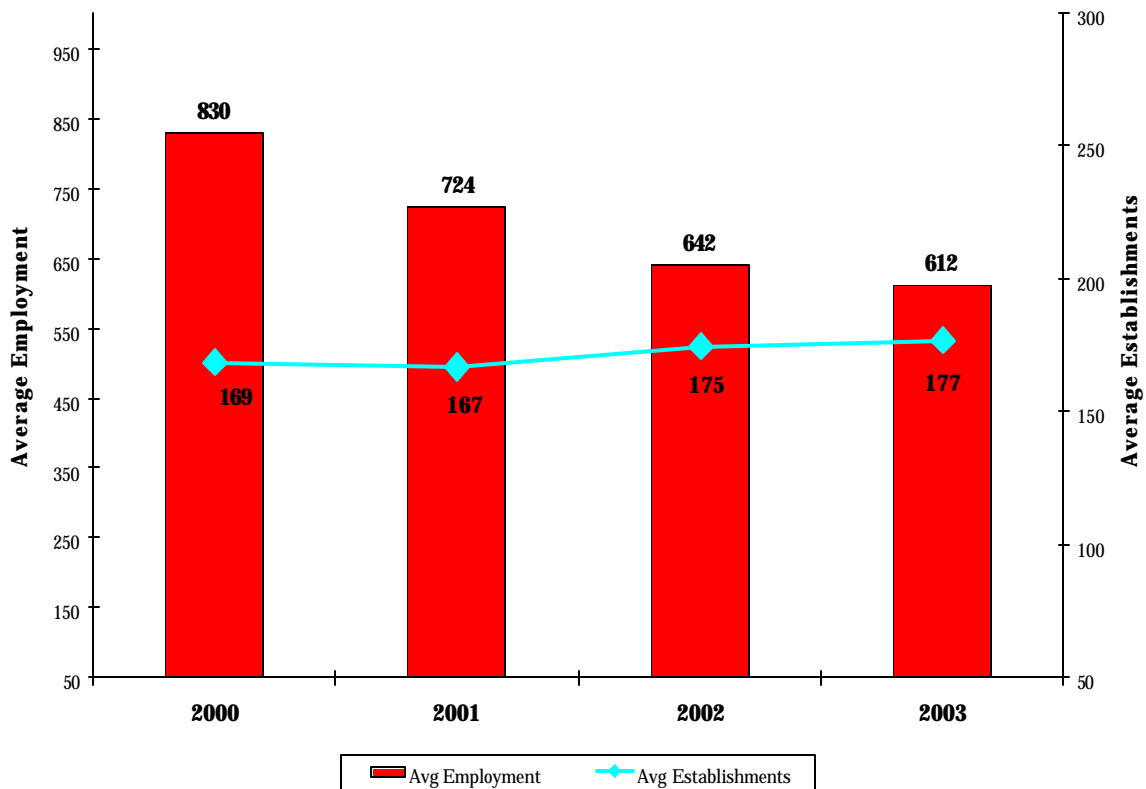
Due to data disclosure requirements, data on industries 51211, 51219, and 51212 are combined into industry 512-- throughout this report.

STATE OF ARIZONA

In 2003, there was an average of 612 jobs within 177 establishments in the Film Industry in Arizona. Figure 1 shows the average number of jobs and establishments in the film industry in Arizona from 2000 to 2003.² Since 2000, average employment in the Film industry declined in Arizona. Average employment decreased by 26.3% from 830 jobs in 2000 to 612 jobs in 2003.³ By comparison, total employment in Arizona increased 1.4% during this period.

While overall Film Industry employment declined between 2000 and 2003, the number of Film Industry establishments in Arizona increased, albeit just slightly. In 2000, there was an average of 169 establishments in the Film Industry in Arizona, according to Arizona Department of Economic Security (DES). In 2003, however, there was an average of 177 Film Industry establishments in Arizona.

**Figure 1 - Average Employment and Establishments
Film Industry in Arizona**



² This data does not reflect those who are self-employed within the Film Industry and therefore understates the number of people who make their living in the film and video business.

³ This decline could be attributed to, in part, the closing of the Fox Animation Studio.

Overall between 2000 and 2003 the Film Industry lost approximately 218 jobs or 26% of total jobs. During this timeframe the average annual salaries also declined (Table 6). According to DES the average annual salary declined by 24.3% from just over \$47,252 in 2000, to \$35,773 in 2003. Runaway production can in part be blamed for the decline in jobs, but other factors include local production talent leaving the state due to lack of work in Arizona, and inadequate resources to effectively market the state to promote production business.

Table 6 – 2003 Average Annual Salaries for the Film Industry in Arizona			
NAICS	Industry Name	2003 Average Annual Salary	% chg from 2000 to 2003
512--	Motion Picture & Video Production and Distribution	\$35,773	-24.3%

Source: Arizona Department of Economic Security.

METRO PHOENIX, METRO TUCSON, AND BALANCE OF THE STATE

The Arizona Department of Economic Security reports employment and wage data by county. Film Industry employment and wage data was aggregated by three regions of the state including Metro Phoenix (Maricopa and Pinal counties), Metro Tucson (Pima County), and the Balance of the State (all counties except Maricopa, Pinal, and Pima). Due to data disclosure requirements, all 12 rural counties in Arizona are combined into the Balance of the State.

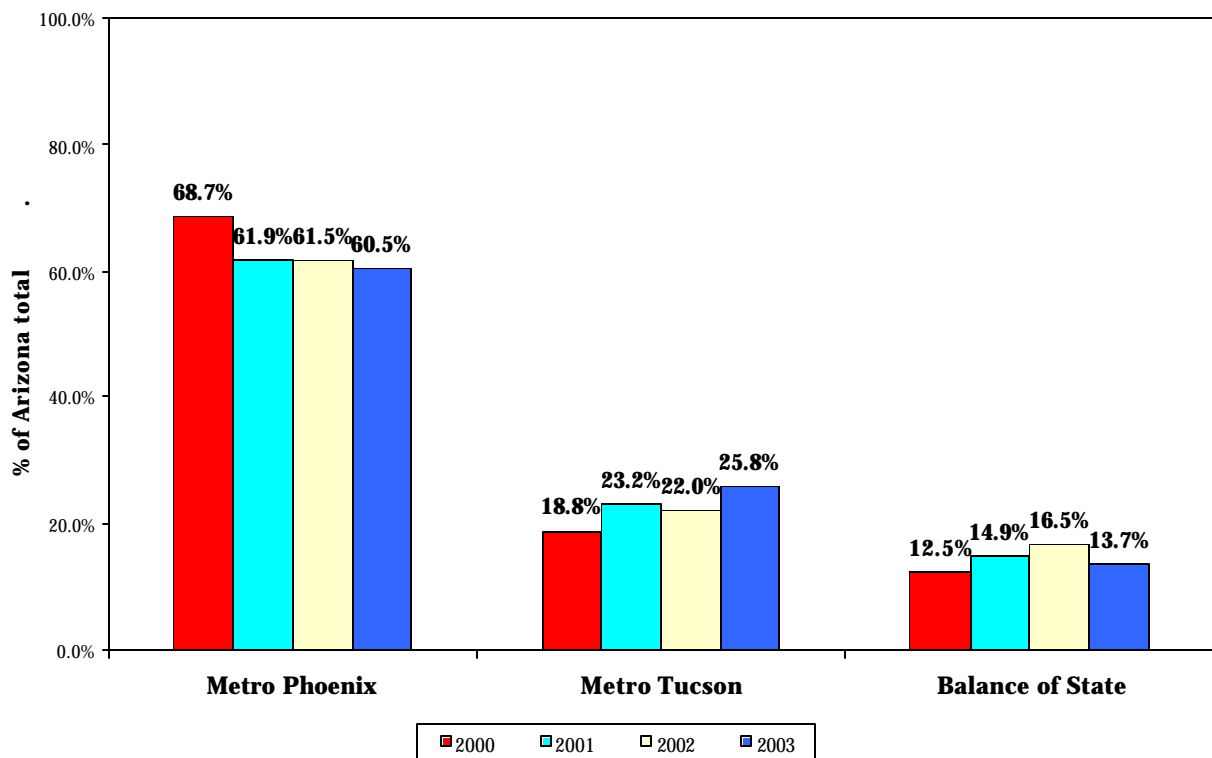
Table 7 shows the distribution of Film Industry employment in Arizona as of 2003. There were about 370 Film Industry jobs (or 60.5% of total) in Metro Phoenix. Another 158 jobs (or 25.8% of total) were located in Metro Tucson and 84 jobs (or 13.7% of total) in the Balance of the State.

Table 7 – Film Industry Employment Distribution in Arizona - 2003		
Area	Average Employment	% of Total
Metro Phoenix	370	60.5%
Metro Tucson	158	25.8%
Balance of State	84	13.7%
Arizona Total	612	100.0%

Source: Arizona Department of Economic Security.

Between 2000 and 2003, Arizona Film Industry jobs shifted out of Metro Phoenix to Metro Tucson and the Balance of the State (Figure 2). The percentage of Arizona Film Industry employment located in Metro Phoenix dropped from 68.7% in 2000 to 60.5% in 2003. During this period, about 199 Film Industry jobs were lost in Metro Phoenix. On the other hand, the percentage of Arizona Film Industry jobs located in Metro Tucson increased between 2000 and 2003. Metro Tucson's share of Arizona Film Industry employment increased from 18.8% in 2000 to 25.8% in 2003. During this period, Film Industry employment in Metro Tucson grew, but only by 2 jobs. The Balance of the State has also captured a greater share of Film Industry jobs in Arizona. However, the Balance of the State actually lost 20 jobs between 2000 and 2003, while the actual percentage of Arizona's Film Industry employment located in the Balance of the State increased, from 12.5% in 2000 to 13.7% during 2003.

**Figure 2 - Arizona Film Industry Employment Distribution
2000 through 2003**



Source: Arizona Department of Economic Security

Average annual salaries in the Film Industry in Metro Tucson and the Balance of the State were between 48% and 55% of the average salary in Metro Phoenix (Table 8). In 2003, the average annual salary for Film Industry jobs in Metro Phoenix was \$44,001. By comparison, the average annual salary was \$24,222 in

Metro Tucson and \$21,172 in the Balance of the State. Indeed, overall average salaries in the Film Industry declined between 2000 and 2003 in all areas of the State. During this period, while average salaries increased by 7.6% in Metro Tucson, the decline in average salaries was 21.5% in Metro Phoenix and 41.6% in the Balance of the State.

Table 8 – Average Annual Salaries in 2003 – Film Industry in Metro Phoenix, Metro Tucson & Balance of the State		
Region	2003 Average Annual Salary	% chg from 2000 to 2003
Metro Phoenix	\$44,001	-21.5%
Metro Tucson	\$24,222	7.6%
Balance of State	\$21,172	-41.6%
Arizona	\$35,773	-24.3%

Source: Arizona Department of Economic Security.

ECONOMIC IMPACT OF THE FILM INDUSTRY

The 2003 employment and wage data noted in the previous section was used to calculate the economic impact of the Film Industry in Arizona. Direct employment data from the industry was analyzed through the IMPLANPro economic impact model to document indirect and induced “multiplier” effects of the industry to the State. For a more detailed discussion of how the IMPLANPro model works, refer to Appendix A.

As shown on Table 9 the Film Industry employed about 612 direct jobs in Arizona in 2003, on average. With total wages of about \$21.9 million, the Film Industry, in and of itself, generated over \$107 million in direct economic activity (or output) through the State of Arizona in 2003.

In addition to the 612 direct jobs, the Film Industry is responsible for maintaining another 1,092 indirect and induced jobs in Arizona in 2003. These jobs include those jobs that supply goods and services to those companies in the Film Industry as well as those jobs supported by the spending of the wages from the direct and indirect jobs. This means that for every 100 Film Industry jobs in Arizona, another 182 jobs

are needed to service and support the Film Industry. Overall, approximately 1,704 total jobs in Arizona were supported by the Film Industry during 2003.

These 1,704 direct and indirect jobs attributed to the Film Industry in Arizona generated nearly \$56.6 million in wages and \$201.5 million in total economic activity.

Table 9 – Economic Impact of the Film Industry on the Arizona Economy - 2003			
Type	Jobs	Total Wages	Output
Direct	612	\$21,885,900	\$107,345,900
Indirect	665	\$20,856,400	\$59,407,300
Induced	427	\$13,856,600	\$34,698,300
Total	1,704	\$56,598,900	\$201,451,500

Source: ESI Corporation; Arizona Department of Economic Security; IMPLAN.

Table 10 illustrates the total economic impact of the Film Industry. Overall, NAICS 512-- (Motion Picture & Video Production and Distribution) provided a substantial economic impact (in terms of total output) during 2003. Total economic activity (or output) for this industry is estimated at \$201.4 million. Approximately 1,704 total jobs in Arizona were supported by this industry with total wages exceeding \$56 million.

Table 10 – Total Economic Impact of the Film Industry on the Arizona Economy by NAICS – 2003				
NAICS	Industry Name	Total Jobs	Total Wages	Total Output
512--	Motion Picture & Video Production and Distribution	1,704	\$56,598,900	\$201,451,500

Source: ESI Corporation; Arizona Department of Economic Security; IMPLAN.

Table 11 shows the estimated total economic impact of the Film Industry by the three regions of the State. These regions include Metro Phoenix (Maricopa and

Pinal counties), Metro Tucson (Pima County), and the balance of the state (all counties excluding Maricopa, Pinal, and Pima).

Approximately 67.8% of all jobs (or 1,155) supported by the Film Industry in Arizona were located in Metro Phoenix. Metro Tucson captured about 23.4% of all jobs (or 399) affected by the Film Industry in Arizona. Also, some 149 jobs, or 8.7% of all Film Industry jobs in Arizona, were situated in the Balance of the state. The Balance of the state includes those counties not located in Metro Phoenix and Metro Tucson.

The jobs affected by the Film Industry in Metro Phoenix generated over \$43 million in total wages and over \$152 million in total economic activity. In addition, total wages amounted to approximately \$9.9 million in Metro Tucson and \$3.3 million in the Balance of the state. Total economic activity is estimated at \$37.0 million and \$12.4 million in Metro Tucson and the balance of the state, respectively.

Table 11 – Total Economic Impact of the Film Industry on the Arizona Economy by Region - 2003

Area	Total Jobs	Total Wages	Total Output
Metro Phoenix	1,155	\$43,359,700	\$152,051,200
Metro Tucson	399	\$9,889,400	\$36,997,200
Balance of the State	149	\$3,349,800	\$12,403,100
<u>Total</u>	<u>1,704</u>	<u>\$56,598,900</u>	<u>\$201,451,500</u>

Source: ESI Corporation; Arizona Department of Economic Security; IMPLAN.

FILM FESTIVAL IMPACT

A separate analysis was performed for the most recent year of each the large film festivals in Arizona. These film festivals include the Phoenix Film Festival, Scottsdale International Film Festival, Sedona International Film Festival, and Arizona International Film Festival. A web-based survey was used to obtain information on these film festivals. This information ranged from attendance and gross revenue to number of volunteers and number of films shown during 2003. Only three of the four festivals participated in the survey.

During 2003, attendance at the three film festivals was estimated at 19,800 people. These festivals lasted about 18 days and showed 213 films. These film festivals are mostly operated by volunteers. With only eight full time employees, about 230 volunteers ran the film festivals. According to the film festivals that responded to this survey, in 2003 total gross revenue was approximately \$240,000 with expenses of \$220,000 of which 76% was spent on goods and services in Arizona.

Approximately 7 percent of the film festival attendees were from out of town and stayed an average of three nights resulting in \$441,829 in direct spending.⁴ By comparison, film festivals had a much greater impact on the Colorado economy. During 2001, the latest data available, Colorado film festivals had attendance of 87,000 and generated about \$12.6 million in spending. Some 60 full time employees and 1,800 volunteers worked at these festivals.

Table 12 – Impact of Arizona Film Festivals in 2003	
Total attendance	19,800
Percent from out of town	7%
Films shown	213
Days of festival	18
Full time employees	8
Volunteers	230
Gross revenue	\$240,000
Total expenses	\$220,000
% of expenses spent in Arizona	76.6%

Source: ESI Corporation

OUT OF STATE PRODUCTION IMPACT

The Arizona Department of Commerce tracks the value of film production expenditures in the state generated from out of state production companies. The last full year in which data is available is fiscal year 2003, during which there were a total of 427 completed projects translating into an estimated economic impact of \$41.6 million being spent on wages to local crews as well as the procurement of local

⁴ Direct spending of overnight visitors is based on \$106.26 spending per person per day. Data supplied from the "Arizona Tourism Statistical Report 2003," Arizona Office of Tourism and D.K. Shifflet and Associates.

goods and services. While there is no way of knowing precisely how much of the Arizona film industry total impact (Table 11) can be attributed to out of state production, the survey results do reveal anywhere from 10.9% to 25.7% of revenues were derived from out of state sources suggesting that there is a basic (export) component to the industry.

It is evident that out of state production is important to the local economy and it helps stimulate the growth of the local film industry. Both are needed to help sustain one another. Fostering the growth of Arizona's film industry will require a two pronged approach; one that focuses on strategies for strengthening the local film industry and the other promoting Arizona to out of state production companies.

III. STRUCTURE OF THE FILM INDUSTRY IN ARIZONA

A set of surveys was conducted to gather information on the structure of the film industry and to collect insights from knowledgeable individuals concerning the state's competitive advantages and disadvantages. The surveyed groups include the following.

- Film Festivals
- High Schools
- Community Colleges/Universities
- Production Companies
- In-house Production
- Local Film Commissions
- Film Industry Suppliers

Following are summaries of the surveys conducted.

FILM FESTIVALS

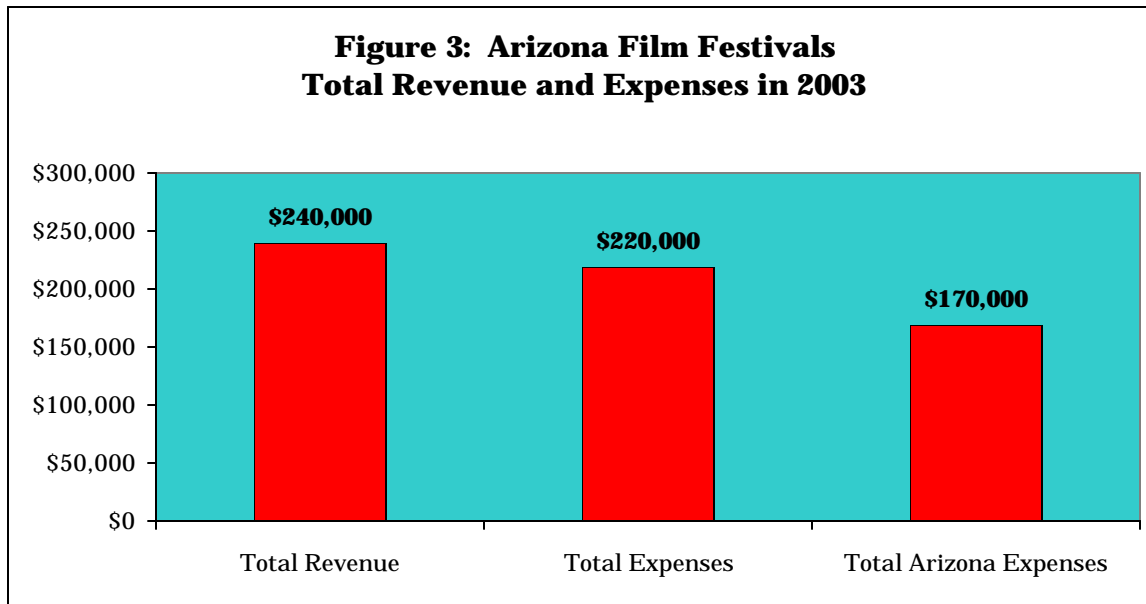
An email survey was distributed to contacts of four Arizona film festivals. Three of the four surveys were received yielding a 75% response rate.

Film festival directors throughout the state were asked questions regarding their festival events, which included questions about budgets, formats, employees, and attendees. In the attempt to measure growth of these film festivals, some survey questions focused on the first year and most recent year (2003) of the festival.

The oldest Arizona film festival began in 1990, and was a lone event until two more festivals began in 2001. The film festivals have a small number of full time employees. These festivals more heavily rely on volunteers. In 2003, the festivals employed about 8 full time employees and utilized some 230 volunteers. According to the film festivals that responded to the survey, about 7% of all festival attendees are from out-of-town with the remaining 93% Arizona residents. The out-of-town attendees typically used a hotel room for about 3.3 nights, on average. Attendance for all film festivals has grown 164% since their inception.

In 2003, the three festivals that responded to the survey took in approximately \$240,000 in gross revenue in 2003. In addition, the film festivals spent about \$170,000 (or 76% of total expenses) on goods and services in Arizona. See Figure 3.

The festivals were asked questions regarding the films shown and their relationship to the state of Arizona in the year 2003. According to the respondents, an average of 29% of all films shown at the film festivals was shot either partially or entirely in Arizona. Also, of all films shown during 2003, about 22% were produced by Arizona producers.

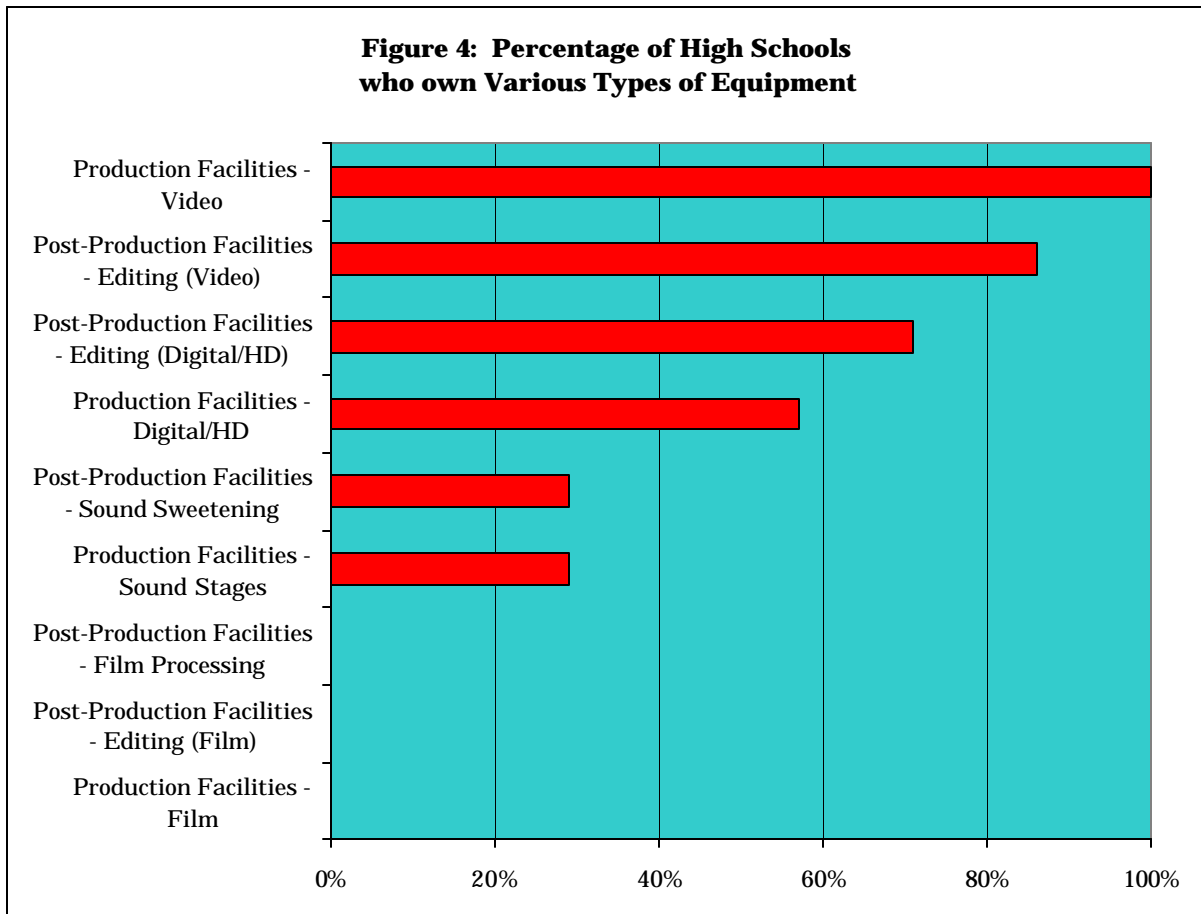


HIGH SCHOOLS

A survey was emailed to 30 school districts, most of which were located in the Phoenix metro area, to ascertain the curriculum and facilities in place to prepare the workforce in the field of film production. A total of 7 surveys were completed yielding a response rate of 23.3%. High schools were asked questions regarding their film/video/digital programs, facilities, and students. The respondents indicated enrollment ranging from 1,100 to 2,800 students. Of the schools surveyed, all respondents offered camera operation programs and 71% offered film editing programs. Film processing and animation were the least offered programs with 14% and 29%, respectively, of respondents. (See Figure 4).

Out of the seven schools surveyed, six schools maintained a production facility. Of those schools that maintained production facilities, all had video production equipment and 86% had post-production equipment for video. Other film related skills offered in some of the high schools surveyed were DVD production, multimedia

authoring, graphics, broadcast production, multi-camera broadcast, and non-linear editing.



COMMUNITY COLLEGES/UNIVERSITIES

Seventeen universities and community colleges received surveys via email. Three surveys were returned from community colleges (none from the universities) for a response rate of 17.6%. These surveys included questions regarding program, facilities, faculty, and students as they apply to the film/video/digital industry. The survey respondents were a part of programs that started as early as 1975 and as late as 1985.

The respondents each offered a different focus in their programs ranging from cinema history and editing/broadcasting/film/screenwriting to hands-on production skills for video and media. The respondents offered degrees such as Associate in Arts, Associate of Applied Science, and Video Production Technology. In addition,

two-thirds of respondents offered production-specific skill sets including Film/TV studies, Broadcast Journalism, Telecommunications, and Media.

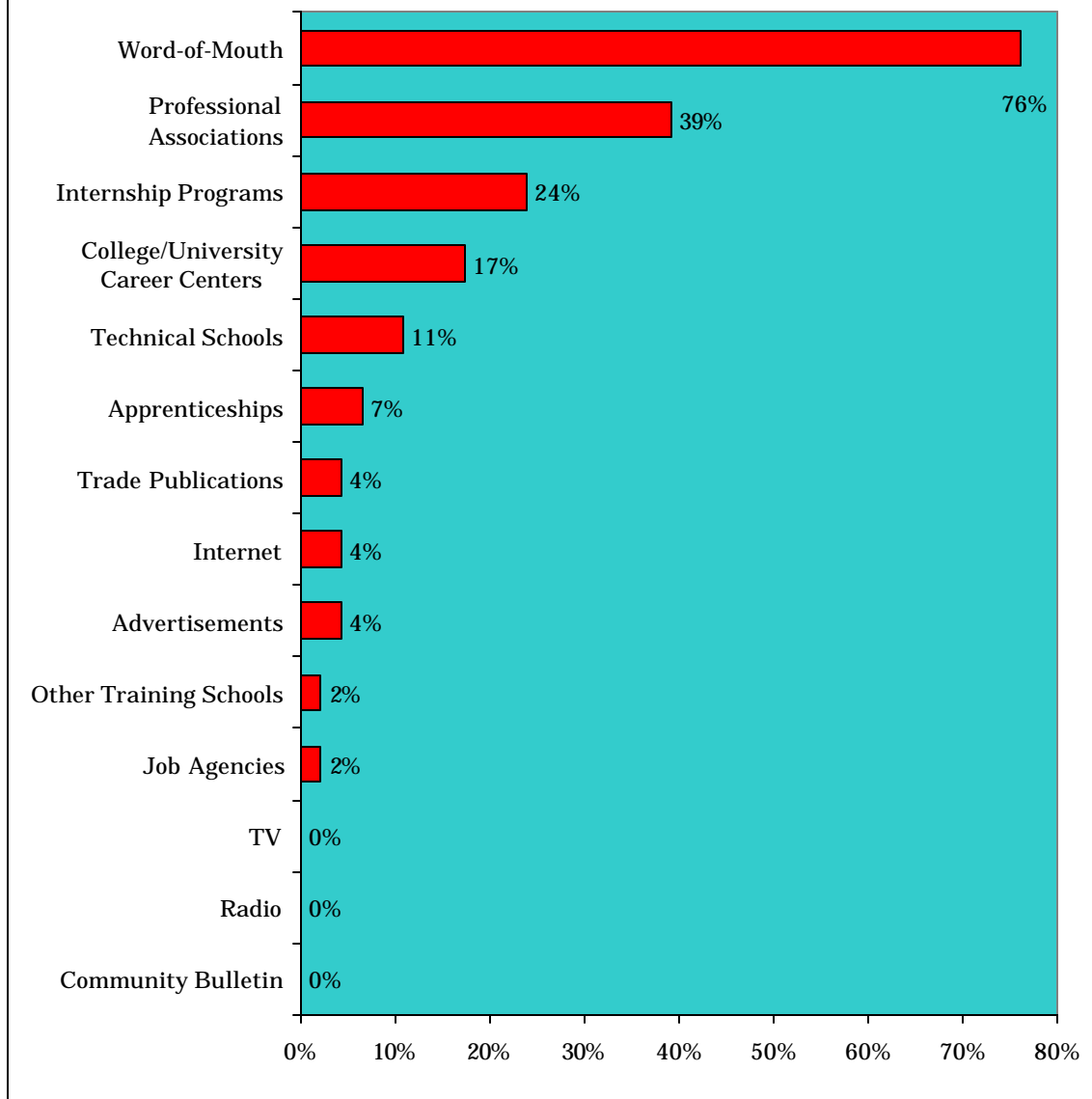
PRODUCTION COMPANIES

An email survey was distributed to 346 production companies within the state. A total of 46 surveys were returned, which yielded a response rate of 15.3%. These surveys included questions regarding size, specialty, financial inputs/outputs, production output, and hiring practices. Nearly 50% of the production companies that responded were started between 1990 and 2000. In addition, approximately 32% of the production companies were started between 1980 and 1990, 11% began after 2000, and the remainder (7%) was created prior to 1980. Of the 46 companies surveyed, 39 strictly produce, 6 companies both produce and distribute, and one company declined to answer.

Nearly 80% of all respondents took part in commercial and industrial/corporate film production and/or distribution. In 2003, the respondents indicated they took part in 550 projects spanning the industry from feature films to internet productions.

The production companies surveyed were primarily small businesses and had anywhere between one and 28 full time employees with an average of approximately three full time employees. The primary sources for employee recruitment included word-of-mouth (76% of all respondents), professional associations (39%), and internships (24%). See Figure 5. The revenues of all production activities in 2003 met with varied responses. Of the production companies surveyed, only 39 provided revenue detail. Among this group of 39 respondents, revenue during 2003 totaled approximately \$10.1 million with a top revenue estimate of \$3.25 million. An average of 25.7% of this gross revenue was derived from out-of-state sources.

Figure 5: Sources Used by Producers for Recruiting Workforce



IN-HOUSE PRODUCTION

Email surveys were distributed throughout the state to 16 non-film related organizations, public and private, with in-house production capabilities. In-House production refers to an organization that has its own production facility and produces its own media without having to contract out-of-house for services. A 50% response rate was achieved for this survey. The in-house production survey included questions regarding their facilities, equipment, production types, and costs.

In 2003, 75% of the in-house production was of industrial/corporate films and training videos (See Figure 6). The estimated fixed cost including payroll for these companies and organizations in 2003 ranged from \$10,000 to \$1,000,000 with an average of \$230,000. Outsourced production for the same year ranged from \$0 to \$200,000 with an average of approximately \$53,000. Of the outsourced production, roughly 43% was outsourced to companies within the State of Arizona.

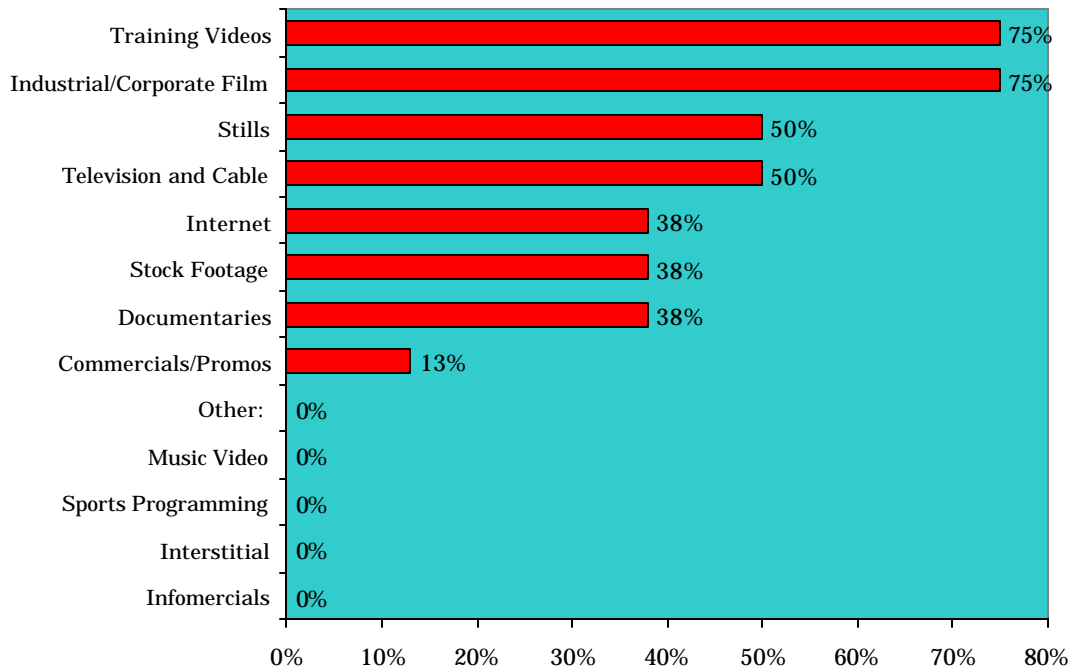
Most of the in-house production facilities surveyed were formed during the late-1980s. There was an average of five full time employees per production facility surveyed. About 63% of the respondents owned production facilities that were less than 5,000 square feet, 13% had 5,000 to 10,000 square feet, and 25% owned between 10,000 and 15,000 square feet. Every company and organization surveyed described their production facility equipment as video based while one respondent also had digital/HD equipment.

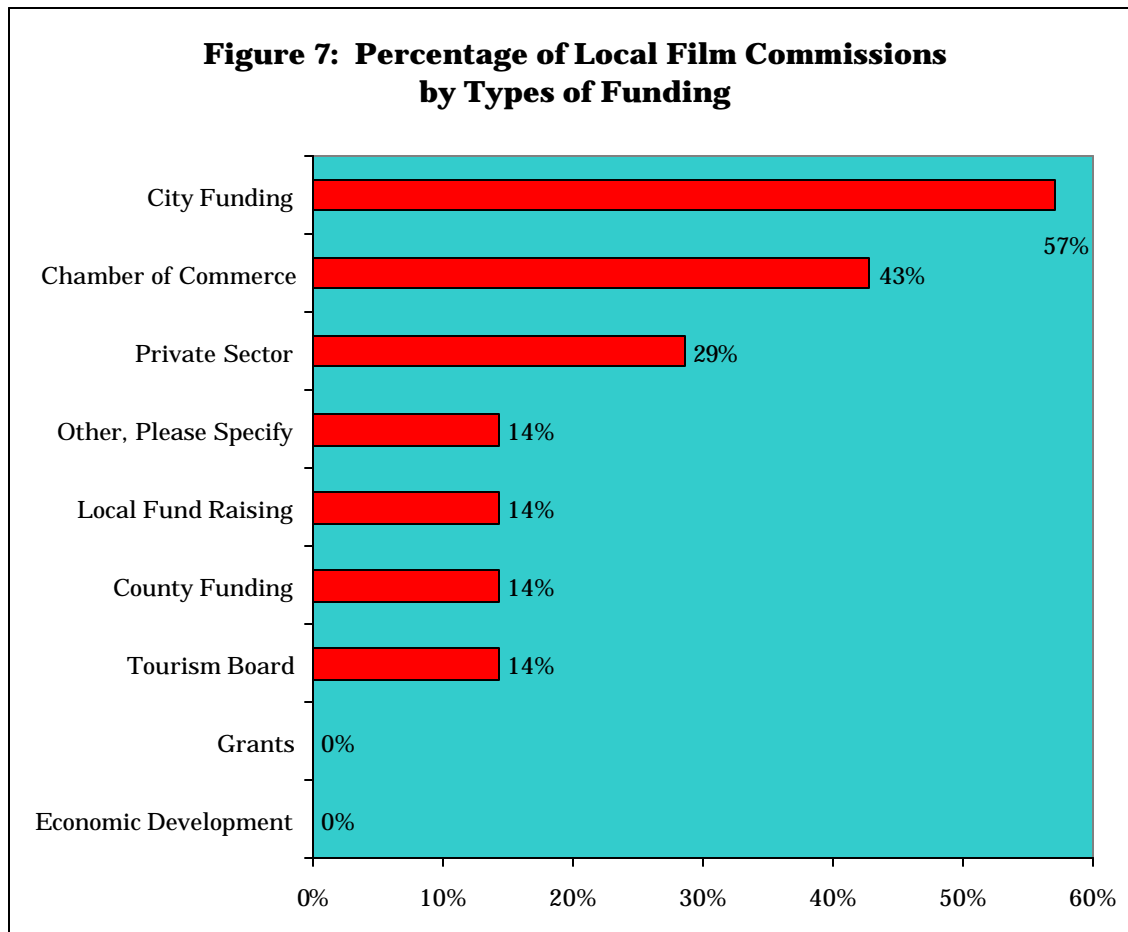
LOCAL FILM COMMISSIONS

An email survey was transmitted to 17 Film Commissions within the State of Arizona. A total of 7 surveys were gathered yielding a 41.2% response rate. Film Commissions throughout the state were asked questions regarding their employees, financial inputs/outputs, and latest projects. The Film Commissions surveyed started operations between 1974 and 1996. Over half (57%) were started during the 1980s, 14% in the 1970s, and 29% in the 1990s. The funding for the film commissions or primary contact positions were funding by various sources (Figure 7).

The Commissions were asked questions regarding their 2003 budget. Six reported budget figures ranging from \$1,000 to \$200,000. The Film Commissions surveyed had about two full time employees, on average, and focused on film projects. Three Film Commissions revealed that commercials produced and/or post-produced in Arizona had a total budget of over \$30 million in addition to just over \$31 million for feature films in the state.

Figure 6: In-House Film/Video Production in 2003



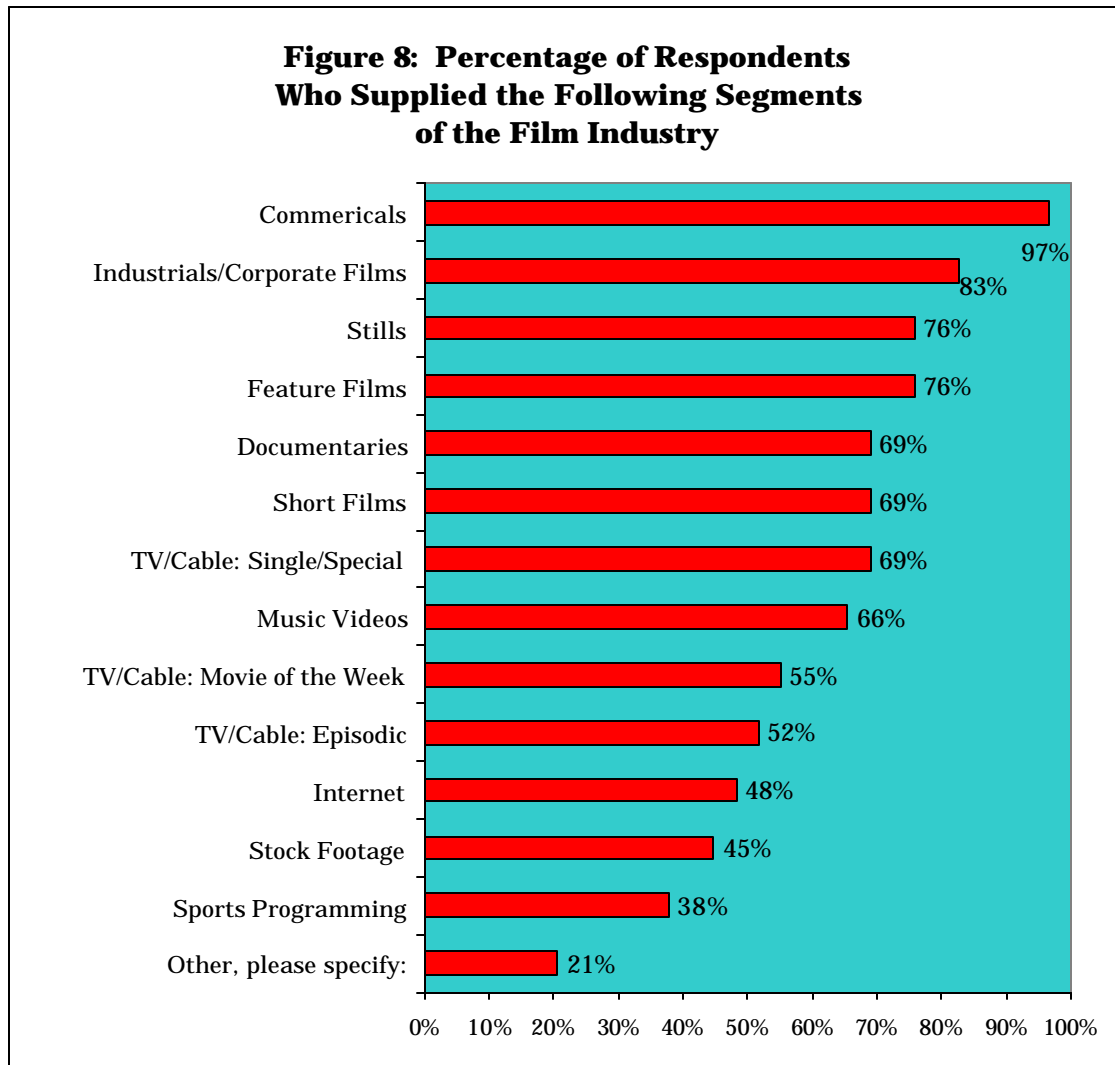


FILM INDUSTRY SUPPLIERS

A survey was emailed to 240 supply companies that primarily serve the film/video/digital industry. A 13.3% response rate was achieved with 32 completed surveys. Industry supply companies were asked questions regarding their services, employees, and financial inputs/outputs.

Approximately 44% of respondents provided equipment, camera, or lighting/grip. Some 33% of respondents indicated they provide trucks/mobile equipment, and 11% of respondents described sound stage/studio with another 11% listing film/tape post-production as their core business. The companies surveyed provide a wide range of services to many parts of the film/video/digital industry. The majority of respondents, about 97%, primarily served the segment of the film industry that creates commercials. (See Figure 8).

The surveyed companies had between one and 400 full time employees. The average number of employees per company was 17. The estimated total revenue in 2003 was almost \$5.1 million. An average of 10.9% of this gross revenue was derived from out-of-state sources.



SURVEY FINDINGS SUMMARY

Overall, the respondents of these surveys agreed that Arizona's assets for a film production could be more effectively promoted. When asked about the top issues facing the state film industry, the main concern of the respondents was the apparent lack of production business that is brought to Arizona. This lack of business has manifested into intense competition for the limited number of productions that take place in Arizona. As a result, budget undercutting and substantially low budgets have effectively priced certain firms out of the market. The most frequently stated reasons for the lack of production business in Arizona specifically include lack of support and promotion from the State, lack of incentives, and lack of a directory of facilities, locations, and professional technicians.

A majority of the respondents perceived that there is a lack of support at the state level in the form of promotion and advertisement of Arizona's locations and professional technicians. It was indicated that the stigma with Arizona is the industry as a whole thinks there are not enough skilled people in Arizona. Compounding this problem is the lack of production projects in the state which has led to an exodus of talented professionals who have followed the business elsewhere. The following Table 13 highlights the top responses by respondent type. Clearly the number one issue mentioned was the perceived absence of support or importance placed upon film industry, followed by the lack of marketing, and the lack of incentives.

Table 13 – Top Issues by Type of Survey Respondent

Issues	Film Festivals	High Schools	Comm. Colleges	Prod. Co's	In-House Prod.	Local Film Commissions	Industry Suppliers
Lack of Marketing	X			X	X	X	X
Negative Image				X			
Lack of Incentives				X	X	X	X
Permits					X		X
Regulations					X		X
Lack of Business Directory				X		X	X
Lack of Location Directory				X		X	X
Lack of Projects				X	X	X	X
Lack of Funding			X	X		X	
Competition				X	X	X	X
Support/Importance	X	X	X	X		X	

Source: Surveys conducted by ESI

IV. BEST PRACTICES/BENCHMARKS

In order to benchmark Arizona's Film Office in terms of the services it offers and its related economic impact to the state, a group of states, who are primary U.S. competitors to Arizona was targeted, to reveal their successes at luring film production. Based on feedback from the Arizona Department of Commerce and the industry, telephone interviews were conducted with film commission offices in Texas, Utah, Nevada, New Mexico, Florida, and Colorado. They were asked questions regarding the economic impact of the film industry, financial incentive plans used in their state, services that the film commission offers, and details on their staff, budget and marketing plans.

ECONOMIC VITALITY

Similar to Arizona, the film industry has significant economic impacts to the economies of the following states.

TEXAS

In Texas, the film industry generated approximately \$165 million in direct spending in 2003, according to the Texas Film Commission. This spending is higher than previous years and is generally attributed to the growth of local film technician and equipment jobs. As a result, hiring of local crews typically accounts for 80% of the total crew working on productions in Texas. According to the Texas Film Commission, approximately 45 to 55 productions take place in Texas each year. Indeed, according to the Texas Film Commission, this level of production is anticipated to remain unchanged during 2004. To measure the economic impact that a production has on the state, the Texas Film Commission speaks directly with the producers to obtain the production budget information. They do not use multipliers in their estimates.

UTAH

In 2003, about 135 productions took place in the State of Utah. These productions generated about \$80 million in revenue. Over the past decade, the film industry in Utah generated approximately \$1 billion in revenue. During 2004, revenue from film productions is expected to be half of that experienced in 2003, according to the Utah Film Commission. They attributed the decline to the Screen Actors Guild strike, runaway production, and the increase in reality-based television. The movies-of-the-week segment of the film industry, historically a major component of Utah's film industry, declined over the past few years due to the increasing amount of reality television shows. This situation is expected to adversely affect film

production activity in Utah in 2004. Another component of the film industry in Utah is its strong crew base. According to the Utah Film Commission, the availability of local crews attracts a significant number of productions to Utah. Indeed, local hiring accounts for as much as 90% of all hiring on a production. To determine the economic impact, the Utah Film Commission communicates directly with the producers and uses a worksheet that details the amount of money spent inside the state. They do not use multipliers in their economic impact estimates.

NEVADA

The film industry in Nevada generated about \$100 million in revenue in 2003. Annual revenue from the film industry nearly doubled during the past four years. The Nevada Film Commission revealed that heavy marketing and promoting by its staff was a major contributing factor to the increase in revenue from film production. This marketing resulted in about 500 film productions in Nevada each year. The film industry significantly impacts tourism in Nevada. According to the Nevada Film Commission, tourism in Nevada (particularly in Las Vegas), improved due to the production of movies such as *Ocean's 11* and TV shows like MTV's *The Real World*. These productions are essentially free publicity. When calculating the economic impact, the Nevada Film Commission supplies producers with a form explaining the information they need. If this information is not available from the production company, the Film Commission uses a formula provided by the Association of Film Commissioners International (AFCI) which is based on the type of picture being produced. They do not use multipliers to determine the complete economic impact estimate.

NEW MEXICO

In New Mexico, the economic impact of film production increased ten-fold between 2002 and 2003. According to the New Mexico Film Commission, the economic impact in 2003 was \$80 million compared to \$8 million in 2002. The substantial jump in economic activity from the film industry was primarily attributed to the new aggressive incentive plan enacted in 2001. This plan incorporates sales tax breaks and a no-fee incentive when filming at any state site. The New Mexico Film Commission obtains economic impact information directly from the production companies. They do use multipliers in their impact estimates, but during a telephone interview declined to define them specifically.

COLORADO

According to the Colorado Film Commission, the film industry had an economic impact of approximately \$30.4 million in 2002. Over the past two decades, the film industry in Colorado was unstable, but experienced a noticeable growth of production between 1985 and 1990. Recently, the general television industry switch from production of movies-of-the-week to reality-based television shows also had a

negative impact on the Colorado economy. Reality television shows typically have lower production costs and generate less money into the state economy than do movies-of-the-week. In 2001, approximately \$205.5 million in wages and 3,933 jobs were generated from film and video production, freelance crews, and suppliers. It is estimated that 90% of total crew costs are paid to in-state workers, which positively impacts the Colorado economy. According to the Colorado Film Commission, the state experienced production in almost every part of the state. Indeed, 40 out of the 64 counties were locations for production in 2002. To estimate the economic impact the Colorado Film Commission uses follow up phone calls to obtain all relevant information from the production companies. They do not use any multipliers in their analysis.

FLORIDA

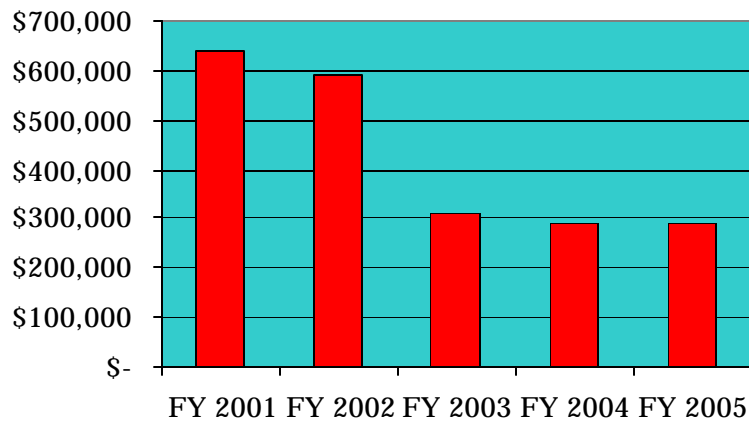
In Florida, film industry employment nearly doubled between 1995 and 2001. The years 2001 and 2002 were difficult due to the anticipation of the SAG and DAG strike, 9/11, the dot.com bust and slowing of the national economy. Unfortunately, staff at the Florida Film Commission was reluctant to be interviewed.

ARIZONA

The Arizona Department of Commerce tracks the value of film production expenditures in the state. The last full year in which data is available is fiscal year 2003. During 2003 the estimated value of production expenditures was \$41.6 million, attributed to 427 film productions. This figure is conservative in that it includes only those expenditures reported to the Department by the production companies. The trend in production in Arizona is down from 2001, in which \$63.6 million of filming was conducted. A partial list of the types of productions in 2001 includes seven feature films, one telefeature, episodes from four television series, and one television special.

The decline in production in Arizona can be attributed to several things. First, the migration of producing movies-of-the-week to reality based television, runaway production, and lastly dramatic budget cuts and staff turnover of the Film Office within the Arizona Department of Commerce. The budget for film promotion has decreased by more than 45% since fiscal year 2001 as can be seen in Figure 9.

**Figure 9 - Arizona Department of
Commerce Film Office Budget**



INCENTIVES

Financial incentives have a substantial impact on drawing production, according to film commission directors. In an effort to lure production, most states interviewed adopted legislation that incentivizes production companies mainly in the form of tax breaks. Following is a discussion of the incentives offered by the group of states included in the interviews. Table 14 includes a summary of these incentives.

TEXAS

The incentive plan in Texas includes an on-the-spot 100% sales tax exemption from state and local taxes. It also includes a hotel occupancy waiver when film crews stay for 30 or more consecutive days. Producers can also receive a refund on fuel used in generators, boats, and other unlicensed vehicles.

UTAH

Utah offers a sales and use tax exemption, in the form of a 10% rebate on dollars left in the state, and up to 12% if the story line is set in Utah. The rebates are typically administered at the end of a production. This is new legislation in Utah. After one week of being enacted, the number of film applications increased dramatically.

NEVADA

According to the Nevada Film Commission, Nevada currently does not offer any financial incentives for filmmakers. This is due to a lack of funding and legislation to support an aggressive incentive plan. The Film Commission is currently researching the types of incentives that would most benefit their state.

NEW MEXICO

Based on interviews and research conducted by ESI, New Mexico has one of the most well known and most aggressive incentive plans. Two types of tax incentives are offered.

- A gross receipts tax deduction between 5% and 7% is taken at the point of sale.
- A 15% film production tax credit. This is a fully refundable credit of 15% of eligible direct production costs against the filmmaker's income tax.
- A no-fee incentive when filming at any state site. For independent productions they offer no-interest loans of up to \$7.5 million for qualifying time.

COLORADO

Colorado hotels are allowed to offer rebates on the hotel sales tax beyond a 31-day stay. This rebate is at the discretion of the hotel owner and can vary in

amount/percentage rebated. No other incentives are offered by the State of Colorado.

FLORIDA

Florida offers two types of incentives for film production. A sales and use tax exemption is provided for qualified film production expenses. This exemption is taken at the point of sale for those productions that are registered and certified with the Florida Film Commission prior to production taking place. In addition, Florida offers a reimbursement of a percentage of qualified expenses for productions companies, digital media effects entities, and relocation entities. Production companies are eligible for reimbursement of 15% of total qualified expenses. This reimbursement applies to a minimum of \$850,000 in qualified expenses. The maximum reimbursement ranges from \$15,000 for Industrial or Education Films to \$2 million for movies. Digital effects media entities are eligible for a rebate of the lesser of 5% of gross revenues or \$100,000. Relocation entities are eligible for a rebate of the lesser of 5% of gross revenues or \$200,000.

ARIZONA

Arizona offers a 50% transaction privilege (sales) tax rebate to qualifying production companies for motion picture/television/video, and commercial advertising productions filmed in Arizona. The hotel occupancy tax is also waived if the stay is over 30 days. In addition vehicles entering Arizona for the sole purpose of production are exempt from the state fuel tax. Arizona also does not require the withholding taxes of nonresident wages.

In discussions with the production companies and local film commission staff, very few companies have taken advantage of Arizona's incentives due to the difficulty in complying with the administrative rules established by the Arizona Department of Revenue.

Table 14 – Film Production Incentives for Selected States

Incentives	Texas	Utah	Nevada	New Mexico	Colorado	Florida	Arizona
Sales/use tax exemption	100% off (state & local taxes)	10% to 12% off	n/a	100% off (state tax rate of 6%)	n/a	100% off (qualified & certified expenses)	50% rebate on sales tax (if spending is over \$1m)
Hotel occupancy tax	100% off (if stay is over 30 days)	n/a	n/a	n/a	Some rebate (if stay is over 30 days)	n/a	100% off (if stay is over 30 days)
Fuel tax	Full refund	n/a	n/a	n/a	n/a	n/a	Exemption for production vehicles
Income tax credit	n/a	n/a	n/a	Credit equal to 15% of total production costs	n/a	n/a	n/a
Low-interest loans	n/a	n/a	n/a	Available for Ind. productions	n/a	n/a	n/a
Other rebates / exemptions	n/a	n/a	n/a	n/a	n/a	5% to 15% of qualified production expenses ¹	No withholding tax of nonresident wages
Total production spending in 2003	\$165m	\$80m	\$100m	\$80m	\$30.4m	n/a	\$42m

Notes

¹ Florida offers a rebate of 15% of qualified expenses for production companies and 5% of expenses for either digital media effects companies or relocation companies. The production company rebate requires minimum expenses of \$850,000 and limits the rebate to \$15,000 to \$2 million depending on the type of production. The rebate for digital media effects companies is maxed at \$100,000. The maximum rebate for relocation companies is \$200,000.

Source: ESI Corporation; Arizona Department of Commerce and Various Film Offices.

FILM COMMISSION SERVICES

Film commissions offer a number of services aimed at reducing the time and money producers spend on scouting and securing locations for productions. Most of the services are found on each state's website and are summarized below.

TEXAS FILM COMMISSION (WWW.GOVERNOR.STATE.TX.US/FILM)

Texas offers a large diversity of locations to meet the needs of producers. These locations are displayed through an online location library of pictures found on the Texas Film Commission's website. This website also includes information on weather, state laws, links to regional film commissions, permanent set descriptions, and a FAQs page. Texas has an online production manual that provides contacts for local crews and production companies around the state.

UTAH FILM COMMISSION (WWW.FILM.UTAH.GOV)

Utah also offers an extensive location library online; many locations can be viewed through their website. The crew base in Utah is heavily promoted and information is provided through a resource guide that can link production companies to local crews. The state film commission also provides an online application of the required state permits.

NEVADA FILM COMMISSION (WWW.NEVADAFILM.COM)

The Nevada Film Commission website includes a location library and provides links to local crews and production companies. Permit information and links to the permit applications are also provided. Many vendors and businesses, ranging from hotels to production-related businesses, are listed on the website. Interviews with the Nevada Film Commission revealed that they attend trade shows and make sales trips across the country to attract producers to their state.

NEW MEXICO FILM COMMISSION (WWW.EDD.STATE.NM.US/FILM)

New Mexico provides an online location library, weather and elevation facts, crew and equipment links, and links to local film offices on the Commission's website. They also provide samples, applications, and Internet links to state and city land permits on their website.

COLORADO FILM COMMISSION (WWW.COLORADOFILM.ORG)

Colorado presents an online photo library online and production guide. The production guide includes information on local crews, production, and post-production resources. The Colorado Film Commission website includes contact information and procedures on how to obtain the various city, state, and federal land

permits that are required for filming in Colorado. Information on labor laws, weather, roads, locations, and guilds and unions is also available.

FLORIDA FILM COMMISSION (WWW.FILMINFLORIDA.COM)

Florida offers a photo library and links to local production crews, local film commissions, and permit applications. In helping to find locations for films, the website contains a detailed location form to be filled out by producers. The Florida Film Commission uses this form to match the producer's requests to relevant locations in Florida. Florida has an extensive discounts and deals section which consists of production companies, hotels, and other businesses in Florida that offer discounts on film-related business.

ARIZONA FILM COMMISSION (WWW.AZCOMMERCE.COM/FILM)

Arizona offers online permit information and applications for various permits required to film in the State. The Arizona Department of Commerce Film Office provides an online, searchable production guide. This production guide includes contact names, phone numbers, and information on local technicians/crews, equipment, and facilities. A breakdown of financial incentives is described on the website. Links to current weather, as well as local film offices and festivals are offered.

SUPPORT AND MARKETING

State and local film commissions generally employ a small number of people and use varying marketing methods to promote locations within their state. Details about each state film commission staff is listed below.

TEXAS

The Texas Film Commission employs eight people with an operating budget of \$500,000. Only a small percentage of the budget is used on marketing. The Commission relies heavily on their website and does not participate in direct mail or print media. The Texas Film Commission coordinates with local film offices during their annual marketing trip to an event they host in Los Angeles. This event is sponsored by the Texas Film Commission and targets producers, directors, and studio executives. This event has proven to be a very effective strategy in promoting Texas as a film location. The main challenge of the Texas Film Commission is the lack of incentives to compete with other states which stems from the difficulty of passing incentive legislation through their state government.

UTAH

The Utah Film Commission employs six people and has a budget of \$626,000. Approximately \$60,000 of the budget is spent on marketing per year. The Utah Film Commission primarily relies on their website for most of its marketing. They also attend trade shows and send out direct mail. The Utah Film Commission coordinates with the local film offices to update the location library, host production groups, and employ marketing at trade shows. Currently, the Film Commission's main challenge is obtaining more incentive legislation to attract production.

NEVADA

The Nevada Film Commission has a staff of seven people and a budget of \$800,000. About \$130,000 is set-aside for marketing. Their office finds trade shows to be an effective marketing tool. The effectiveness of direct mail was questioned. The website of the Nevada Film Commission is their main marketing tool and has proven to be successful in offering information to producers. There are no local film offices in the State of Nevada.

NEW MEXICO

The New Mexico Film Commission staff is comprised of eight employees. Since the New Mexico Film Commission would not participate in a telephone interview, information on budget and marketing is not available.

COLORADO

The Colorado Film Commission's staff was eliminated in 2003. The functions of the Film Commission office were transferred to the Department of Tourism. In the past, they have found a combination of direct mail, trade shows, and media advertising to be a highly effective marketing strategy. Overall, their website is considered the most important marketing tool. The Colorado Film Commission constantly communicates with the local film offices and uses broadcast email to the local offices to help locate potential film locations across the state.

FLORIDA

Staff of the Florida Film Commission was not available to participate in a telephone interview or email questionnaire. As a result, information on the number of staff, budget, and marketing is not available.

ARIZONA

The Arizona Department of Commerce Film Office employs two people and has a budget of \$291,100, of which 15% is spent on marketing. The size of the staff is down from seven people during the year 2001.

BEST PRACTICES SUMMARY

The film industry has a significant economic impact on the states interviewed and/or researched by ESI, including Texas, Utah, Nevada, New Mexico, Colorado, and Florida. These states recognize that the film industry brings money from outside the state and creates relatively high-paying jobs that support the film industry which otherwise would not exist. These states have become aggressive in their pursuit of film production because of the limited number of film productions in the U.S. due to runaway production outside the country. Incentive programs, production and scouting services (website, database of local crews, location pictures), and promotion (trade shows, direct marketing) have been undertaken in order to maintain and enhance the presence of the film industry in their state. New Mexico is the most prominent example of the significant results that are possible with an aggressive film industry campaign. Upon enacting a series of sales tax exemptions, income tax credits, and no-interest loans effective in 2003, the economic impact of the film industry in New Mexico went from \$8 million in 2002 to \$80 million in 2003. With the right mix of incentives and marketing, there is no reason to believe that the film industry could not have such a substantial impact in Arizona.

HOW DOES ARIZONA COMPARE

Arizona offers a few incentives for film production. A rebate is offered in the amount of 50% of sales taxes paid on the purchase or lease of personal property to qualifying production companies. This rebate is available for purchases over \$1 million. All hotel occupancy taxes are waived for stays over 30 days and vehicles entering Arizona for the sole purpose of production are exempt from the state fuel tax. In addition, withholding tax of nonresident wages is not required. Due to the Department of Revenue's administrative procedures, we are told that very few companies take advantage of these incentives.

The current budget of the Arizona Department of Commerce Film Office is \$291,100 with a staff of two. About 15% is spent on marketing and promotion. A summary table highlighting the budget and staff size for each of the benchmarked states is provided in Table 15.

Table 15 – Comparison of Budget and Staff Size for Selected States

State	Total Budget	Marketing Budget	Size of Staff
Texas	\$500,000	Small percentage	8
Utah	\$626,000	\$60,000	6
Nevada	\$800,000	\$130,000	7
New Mexico ¹	n/a	n/a	8
Colorado ²	n/a	n/a	n/a
Florida ³	n/a	n/a	n/a
Arizona	\$291,100	\$43,650	2

Notes

1 The State of New Mexico Film Office refused to provide requested information.

2 The State of Colorado Film Office was eliminated in 2003.

3 The State of Florida Film Commission staff was not available to participate in a telephone interview.

Source: Arizona Department of Commerce and interviews conducted with the various Film Offices

V. ARIZONA'S COMPETITIVE ADVANTAGES AND DISADVANTAGES

Phone interviews were conducted with 23 out-of-state producers in eight segments of the film industry during the month of June 2004. The segments of the film industry include commercials, TV series, features, telefeatures, industrial, music videos, documentaries, TV specials, and stills. A total of 95 producers were contacted (on several occasions) resulting in 23 completed interviews. The producers were asked questions regarding film production in Arizona as well as their perception and experience in film office's practices, marketing, incentives, and the hiring of crews.

FILMING IN ARIZONA

The producers were asked questions on production in Arizona, including when they filmed, why Arizona was chosen, their likes and dislikes about filming in the state, and how the Film Commission's services were used.

- 20 out of the 23 producers (87%) interviewed had previously filmed in Arizona. Of the 3 that had not previously filmed in the state, two producers indicated their plans to film in Arizona in the future.
- The primarily reasons for filming in Arizona included the unique scenery, consistent weather, and diversity of locations. Many productions have been brought to Arizona because of the need for both a winter look (such as Flagstaff) and a desert look. Arizona was also mentioned as a film-friendly environment in that residents and local governments were very helpful.
- All of the interviewed producers that had previously filmed in Arizona would consider Arizona as a location for future productions.
- When asked what they liked about filming in Arizona, most producers simply said that it was an easy shoot. There was not a lot of red tape and the local municipalities were helpful. The consistently sunny weather and reasonable location fees also contributed to the ease of shooting.
- Common dislikes of filming in Arizona included the lack of studios, crew, and equipment. While many producers agree that Arizona has a strong talent base, they have also noticed a large percent of the workforce moving to surrounding states to work. Other problems include the difficulty in working with the Native American tribes.

- Out of the 20 producers that filmed in Arizona before, 75% reported using the services provided by the state or local film commissions, 10% used the Arizona Department of Commerce Film Office but had encountered problems, and 15% did not contact the Arizona Film Office at all. The Arizona Department of Commerce Film Office services that were most used by the producers included scouting locations through pictures and in-person, help and advice in dealing with the different required filming permits around the state, and helping them to locate additional crew and equipment. Of the two producers that had problems with the film commission, the main problems were lack of communication and difficulty with the website.

FILM COMMISSION SERVICES

The producers were asked to identify some of the most beneficial services that film commissions can offer. These answers did necessarily pertain specifically to the Arizona Department of Commerce Film Office.

- The most common service utilized by producers is online location pictures, which can be downloaded or emailed to the producers and their clients. Another useful film commission service is help with locating additional crew and equipment as well as helping to facilitate the film permitting process. Producers also use the state and local film commissions to coordinate with different organizations and governments, especially in negotiations with state Native American tribes.
- 61% of producers mentioned location scouting and online pictures as a tremendous asset from the film commissions. About 48% of respondents mentioned help and advice with obtaining permits required to film on federal, state, city and tribal land.

LOCATION FACTORS

Producers were asked which factors help them choose a location for a production.

- 87% of the respondents determine the location of their production based on the location and scenery needs of the client or director.
- 22% said that money is a primary factor in the decision making process.
- Other factors mentioned are how film-friendly a state is, lodging accessibility for crew, and relations with union, guilds, and crews in the area.

RESEARCHING LOCATIONS

Producers were asked the means they use to obtain information on potential locations. The producers were specifically asked how often they attended trade shows, visited local and state websites, used brochures and other information pieces,

relied on word-of-mouth and previous experience, or contacted the local or state film offices.

- About 22% of the producers interviewed attended tradeshow at least some of the time but usually only attended the Show Biz Expo in Los Angeles.
- 91% of the producers interviewed reported that the film commission's website is the main tool used for obtaining information. The website was perceived to be the quickest and easiest means of information gathering.
- 39% of the interviewed producers look at brochures and other printed materials.
- 18 of the 23 (78%) producers gather information through word-of-mouth.
- 17 out of 23 (74%) producers consider previous experiences filming in the state.
- 22 of the 23 producers contact the local or state film commissions by telephone or mail to gather information on locations.

INCENTIVES

The producers were asked questions regarding if, to what extent, and what type of incentives affect their choice for a production location. The findings of this survey are summarized below.

- 35% of the producers interviewed revealed that financial incentives are a consideration in choosing a production location. However, it appears that the financial incentives are most meaningful when multiple locations are being considered.
- Only 8% of producers interviewed indicated that financial incentives were the top priority in their choice of a production location.
- Producers agreed that financial incentives only play a role in large budget productions such as feature films and TV series.
- The main financial incentives that would be attractive to production were sales tax breaks and tax credit rebates. Other financial factors include filming permit fee waivers, lodging and hotel discounts, and discounts from production vendors. Non-financial incentives such as streamlining the permit process to save time were mentioned.

LOCAL HIRING

Producers were asked about local hiring of production and post-production crew. The results of these questions, focusing on the training and employment of local crew, are summarized below.

- 87% of producers interviewed do not use any local post-production services. Most take their film back to Los Angeles or New York for post-production.
- About 13% of the interviewed producers utilize some local post-production, such as film processing.
- 87% of the interviewed producers use local crews and rent equipment locally. Indeed, most hire about 50% of their crews locally, some hire as much as 90% locally.
- 87% of producers interviewed view having previous experience related to the position they are hiring for as the primary hiring consideration.

PERCEPTION OF ARIZONA

Producers were asked about their overall perception of filming in Arizona and what they thought could be done to attract more production to the state.

- All of the interviewed producers held a favorable view of Arizona as a potential film location.
- A common suggestion for improvement was making all information easy to access. It was recommended that this could be solved by having an in-depth website that covered all information producers could possibly require.
- It was also recommended that the state build on its studio and crew foundation, as this is a tremendous draw of production.
- Nearly all producers mentioned promoting the unique scenery of Arizona more aggressively to draw more attention.

COMPETITIVE ADVANTAGES/DISADVANTAGES SUMMARY

Arizona has both competitive advantages and disadvantages with respect to the film industry compared to other states. Despite the competitive disadvantages noted below, Arizona has a growing pool of industry leaders and, if properly tapped, this new blood of leadership can help facilitate the growth of the film industry in Arizona.

COMPETITIVE ADVANTAGES

Arizona has a number of competitive advantages with respect to film production.

- The infrastructure to attract a robust film industry already exists in Arizona, and includes a base of local talent, film technicians, available film production equipment, and facilities (i.e. soundstages).

- Most of the producers interviewed for this study indicated that Arizona is an easy location to shoot a film. Compared to other states, Arizona is perceived to be less bureaucratic when arranging a film production.
- In addition, producers look favorably on Arizona due to labor environment and cost. Since Arizona is a right-to-work state, producers do not have to deal with local unions or guilds.

COMPETITIVE DISADVANTAGES

Arizona also has some competitive disadvantages with respect to film production. These disadvantages could certainly be overcome.

- Arizona has a perceived lack of available workforce, technicians/crews, equipment, and facilities.
- There is a lack of awareness among the film industry, in general, about Arizona as a potential shooting location.
- Compared to other states, Arizona lacks the financial resources, marketing, and staffing to effectively compete for film productions taking place in the U.S. every year.

VI. FINDINGS AND RECOMMENDATIONS

SUMMARY OF FINDINGS

- Since 2000, employment declined in Arizona's film industry by about 26.3% from 830 jobs in 2000 to 612 in 2003. By comparison, total employment in Arizona increased by 1.4% during this same period. Indeed, most of the job losses occurred in Metro Phoenix. Some 199 film industry jobs were lost in Metro Phoenix between 2000 and 2003. The balance of the state also experienced loss of jobs, as this area had 20 fewer jobs in 2003 than it did in 2000. Metro Tucson did experience growth in film industry employment, but just slightly, as Metro Tucson only gained 2 net jobs from 2000 to 2003.
- In addition to the statewide loss of film industry jobs, average salaries in the film industry declined statewide between 2000 and 2003. Average annual salaries for film industry jobs in Arizona as a whole dropped by 24.3% to \$35,773 in 2003. Metro Phoenix and the balance of the state saw declines in average salaries. From 2000 through 2003, average salaries for film industry jobs in these regions decreased by 21.5% and 41.6%, respectively. Metro Tucson, on the other hand, experienced an average salary increase of 7.6% from 2000 to 2003. The discrepancy between job losses in Metro Phoenix and the balance of the state and job gains in Metro Tucson can possibly be attributed to the qualifications of certain segments of workers. With the increased reliance on the highly technical post-production process, the demand for these workers has increased. And with a large percentage of the highly technical workers located in Metro Tucson and Metro Phoenix, it stands to reason that the change in their employment trends has an influence on the overall trends in Film Industry employment, and why the statewide differences in employment trends exist.
- In 2003, the film industry generated over \$201 million in economic activity and nearly \$57 million in wages in Arizona.
- Film festivals held in Arizona also contribute to the Arizona economy. In 2003, the three operating film festivals brought in approximately \$240,000 in revenue and spent about \$170,000 in the Arizona economy. Total attendance at these film festivals was estimated at 19,800 for 213 films. These festivals reported a total of eight full time jobs and 230 volunteers.
- Runaway production, where films to be shown in the U.S. are produced outside of the U.S., is a national phenomenon. Runaway production occurs because non-U.S. locations, such as Canada and New Zealand, are less expensive than U.S. locations. As more film productions are lured outside the U.S., the number of film productions taking place in the U.S. is dwindling. As a result, there is intense competition among the states trying to bring film productions to their state.

- In order to lure film productions, states have undertaken aggressive advertising, incentive, and marketing campaigns. These efforts have resulted in revamped websites which include photos of locations, information on permits and regulations, and directories of local technicians/crew just to name a few. Financial incentives are also being offered. These incentives include sales tax exemptions, income tax credits, and low-interest loans for film production activities. In addition, certain states have helped develop the local film technician and crew jobs as well as those companies that provide equipment to film productions. Nationwide marketing and previous filming experience has proven to be an effective means to increase “word of mouth” which appears to be one of the primary factors that producers rely on when considering a location.
- The states analyzed in this report consider the film industry as a major contributor to their economies because film production tends to bring money into the state from out-of-state sources. In Colorado, for example, about 75% of production company receipts came from out-of-state sources during 2001. By comparison, based on surveys conducted by ESI, only 21% of Arizona production company receipts came from out-of-state sources. As the number of film productions taking place in Arizona has dwindled in recent years, Arizona production and supplier companies have been forced to go where the work is. Currently, a majority of work within close proximity to Arizona is located in New Mexico.
- New Mexico is one of the more recent examples of the dramatic impact the film industry can have on an economy given a certain mix of incentives, advertising, and accessibility of information. Near the end of 2002, New Mexico enacted legislation calling for sales tax exemptions, income tax credits, and no-interest loans on film productions taking place in New Mexico. The result was a ten-fold increase in economic activity in the state. In 2002, the film industry spent about \$8 million in New Mexico. During 2003, the first year the incentives took place, film production picked up dramatically and spending reached approximately \$80 million. Indeed, if film production spending in New Mexico can go from \$8 million to \$80 million in one year, there is no reason to believe this could not happen in Arizona.
- The main concern of Arizona’s resident film industry is the apparent lack of production business that is brought to Arizona. The most frequently stated reasons for the lack of production business in Arizona include lack of resources to thoroughly support and promote the state, lack of incentives, and lack of facilities and professional technicians. It was indicated that the stigma with Arizona is that the industry as a whole thinks there are not enough skilled crew in Arizona to support the needs of out-of-state productions. Compounding this problem is the lack of production projects in the state which has led to an exodus of talented professionals who have followed the business elsewhere.

RECOMMENDATIONS

The Arizona Film and Video Industry is at a crossroads. Fierce competition from abroad and technological advances in filmmaking have had an adverse impact on employment in the state. A number of initiatives need to occur in order for Arizona to regain its competitiveness, promote technology and innovation; encourage local and independent filmmaking; and attract more out-of-state film productions that enhance local economies and create jobs statewide.

In spite of the fact that jobs in this industry have declined over the last several years, Arizona has a solid foundation to build upon, which includes its rich history in filmmaking, the current base of film technicians/crews, equipment, and facilities, as well as diversity of filming locations and weather.

The reality of the film industry in the U.S. is that states are competing for a limited number of film productions as more and more production takes place outside the U.S. As a result, recognizing the significant impact of film production on their economies, states have enacted aggressive marketing campaigns to maintain and enhance the film industry. Indeed, if film production spending in New Mexico can go from \$8 million to \$80 million within one year, there is reason to believe that the film industry could also have such an impact on Arizona.

Fostering the growth of the film and video industry in Arizona will require a collaborative effort that includes support from private business, government as well as education. With that in mind, the following recommendations include ways Arizona can emulate or even improve on best practices in other states, approaches for promoting local filmmaking, and address identified deficiencies through a team effort.

ESTABLISH COLLABORATIVE PARTNERSHIPS

- Work to unite the disparate pieces of the film industry in the state by soliciting their involvement in the development and implementation of a “Film in Arizona” marketing campaign.
- Encourage education and private business to work together to establish mentoring, internship and apprenticeship opportunities.
- Facilitate a seamless integration of service delivery by identifying the weaknesses in the film making supply chain and work to overcome those weaknesses.

FACILITATE AND PROMOTE LOCAL FILMMAKING

- Stimulate the creation of local filmmaking by working with the local film festivals and have an annual statewide competition which would culminate at an annual film festival with prizes presented by the Governor.

- Support local nonprofit organizations that promote the development of local filmmaking, such as the newly located Blacktop Films. This support could include helping to publicize the non-profit service to providing financial assistance.
- Develop an outreach program aimed at the Arizona film industry which would promote the small business assistance programs offered by the Arizona Department of Commerce.
- Create a revolving loan fund in conjunction with lending institutions that independent filmmakers could access to help with production and distribution costs of their films.
- Ensure the availability of future workers by encouraging the expansion of educational offerings at the high school and community college levels.
- Help Arizona's film industry stay competitive by promoting the availability of workforce development dollars to the industry.
- Inaugurate an annual filmmaking camp to foster interest among the state's youth. This could be done through a collaboration of the Arizona film industry and the colleges.

ESTABLISH INCENTIVES WITH A RETURN ON INVESTMENT

- Create an incentive program to attract out of state production companies that provides a tax rebate for utilizing Arizona talent, technicians/crews, and equipment.
- Ensure that incentives are understandable and easily obtainable. The types, amount, eligibility, and qualifications of incentives offered should be clearly documented on the Commerce's website. There should be as little administration as necessary in order to apply for incentives. Incentives are effectively useless if production companies perceive there to be too much "red tape" to be worth the effort.
- Support incentives that are geared toward smaller, resident independent film and video productions, such as loaning out equipment.

MARKETING AND PROMOTION

Based on the surveys conducted for this study, Arizona does not appear to be on the radar screen of most film production companies compared to other states. A more targeted, effective marketing strategy is needed to promote Arizona's diversity of locations, professional technicians/crews, and film festivals.

- Develop a branding and marketing plan to promote film production in Arizona. Implementation strategies should be stratified to target the various types of filming activity (feature films, commercials, television and cable, etc).

- Increase the amount of resources and marketing dollars to effectively compete for film business.
- Attend national and regional trade shows and work to establish personal relationships with production companies by scheduling regular sales calls.
- Advertise in national magazines that target the film production industry, such as *Hollywood Reporter* and *Daily Variety*.
- Promote Arizona as having more than just desert locations. Highlight places such as Flagstaff and Sedona for forested locations and Scottsdale and Tucson for urban landscapes.
- Help the film festivals secure big name signature sponsors, an example is Ralph Lauren's 20 year sponsorship of the annual Telluride Labor Day Film Festival.
- Promote local film festivals in national publications to draw larger audiences nationally and internationally.
- Provide more resources and staffing to increase the level of customer service. New Mexico was identified a number of times for their apparent willingness to help in any way they can to bring a production to their state. This higher level of customer service requires substantially more resources and staffing than currently available at the Arizona Department of Commerce Film Office.
- Develop a standardized tracking system for the State and Local Film offices to use annually in monitoring the value of out-of-state production. Information to be gathered should include revenue by project type (commercials, documentaries, films, television, videos, post-production), the number of projects, and the number of production days.

FILM OFFICE WEBSITE

Interviews with producers revealed that the website for a state's film office is one of the starting points in scouting locations for film productions. An organized, well-designed website with a wealth of information is one of the most effective means at marketing Arizona as a film destination. Following are suggestions for improvement to the current Arizona Department of Commerce website.

- Create a website link that is easy-to-use with all information available within two or three clicks. An unorganized, confusing website is a deterrent to most users.
- Include nearly all the location resources a production company could ever need to know about filming in Arizona such as the following:
 - ⇒ Online picture gallery of locations in Arizona
 - ⇒ All pictures should be downloadable
 - ⇒ Streaming video with state footage
 - ⇒ Clear description of permits for filming in Arizona
 - ⇒ Online permit applications including filing instructions

- Provide an online, searchable directory of up-to-date production resources including contact information for technicians/crews, equipment suppliers, studios, and trucking, etc.
- Supply an online directory of hotels, restaurants, entertainment venues, and any other attraction a potential production would desire while filming in Arizona.
- Include a clear discussion of the incentives available in Arizona to out of state production companies
- Create a website with an identifiable, easy-to-remember name. For example, Nevada's website is at www.NevadaFilm.com and Florida's website is at www.FilminFlorida.com.

APPENDIX A ECONOMIC IMPACT MODEL

ECONOMIC IMPACT MODEL BACKGROUND

ESI Corp utilized IMPLAN Pro software to conduct an economic impact analysis of Arizona's Film industry. IMPLAN Pro software was created by the Minnesota Implan Group (MIG) as a tool for impact analysis. Analysis of economic impacts depends on inputs to the analyzed activities available in the analyzed region. The "multiplier" effect occurs as spending is recirculated throughout the economy within the study area. For example, when a factor creates 10 new jobs paying \$20,000 per year, the resultant \$200,000 in income paid to those workers and the increased output of the factory manifest into new economic activity. This new economic activity has three types: direct; indirect; and induced.

- The *direct* impact is the additional activity itself (i.e. 10 direct jobs).
- *Indirect* impacts consider the interactions among industries (backward buyer-supplier linkages) to quantify the additional activity in other industries caused by the increase in activity in the factory. Indirect activity is that economic activity created by businesses that provide goods and services essential to the operation of the project. Examples range from firms who make goods (i.e. manufacturers) to firms who deliver goods (wholesalers) to firms who clean buildings (i.e. janitors).
- *Induced* impacts include the economic activity created from the spending of the wages and salaries of the direct and indirect employees on items such as food, housing, and transportation.

The portion of the spending which accrues to local businesses and employees is recirculated to the extent defined by the input-output relationships specific to the region (derived from U.S. Bureau of Economic Analysis data). The model reiterates until all of the spending is "leaked" outside of the regional economy.

The model uses actual input and output information for each county in the United States and is therefore tailor made for the study region. Study areas are generally single counties, multi-county regions, multi-zip code regions, one or more states, or national. Generally speaking, impacts are greater the larger the study area chosen, since they are based on the amount of recirculation of spending which is done before the impact of each dollar is fully "leaked" out of the study area. Impacts *can* be equal or smaller for larger areas in special cases, since the average productivity of workers in each industry and other industries in its supply chain will vary by geographic region. This is also determined through the use of input-output data at the county level.

ASSUMPTIONS, LIMITING CONDITIONS AND DATA METHODOLOGY

The economic impact analysis included in this report is subject to the following assumptions, limiting conditions, and general methodology considerations.

- The latest employment and wage data from the Arizona Department of Economic Security is available through third quarter 2003. Average employment and average wages for the Film Industry in Arizona for the first three quarters of 2003 will be used as inputs to the economic impact analysis. These figures are discussed in Section 3 of this report.
- The IMPLAN model was selected due to its frequent use in economic impact analysis within Arizona in conjunction with its development independent of local influences. The Minnesota IMPLAN Group produces IMPLAN econometric models for regions throughout the United States and the IMPLAN Model is generally recognized as one of the leading economic multiplier models within the country.
- The latest available set of IMPLAN multipliers is as of the year 2001. It is assumed that the multiplier relationships in 2003 are similar to those in 2001. No adjustments to the 2001 multipliers were made.
- The employment and wage data for the Film Industry in Arizona is broken down by three regions. These regions include Metro Phoenix (Maricopa and Pinal counties), Metro Tucson (Pima County), and the Balance of the state (all counties except Maricopa, Pinal, and Pima). A set of multipliers was generated for each of these regions. The multipliers for a particular region were applied to the employment and wage data for that region. For example, Metro Phoenix multipliers were applied to the number of Film Industry jobs in Metro Phoenix. Total impacts for the State were arrived at by summing the impacts for each of the regions.
- Since the economic impact of Film Industry jobs in Metro Phoenix, for example, is based on Metro Phoenix multipliers, only those indirect and induced jobs located in Metro Phoenix are accounted for. This means that any indirect and induced jobs created outside of the Metro Phoenix region are excluded from this analysis. This situation occurs for both Metro Tucson and the Balance of the state. It is assumed that the percentage of the indirect and induced jobs situated outside of a particular region that are affected by the Film Industry in that particular region is small and, thus, considered insignificant.
- The reported results will represent the considered judgment of ESI Corporation based on the facts, analyses, and methodologies described in this report.

- All direct and indirect written information supplied by the client, its agents, and assigns, concerning the Film Industry in Arizona is assumed to be true, accurate, and complete. Additionally, information identified as supplied or prepared by others is believed to be reliable. However, no responsibility for the accuracy of such information is assumed.
- This report is intended to be read and used as a whole and not in parts.

APPENDIX B SURVEY INSTRUMENTS

Appendix B - Survey Instruments	
Arizona Film Commissions	
Your participation in this survey is critical in helping the Arizona Film Office better understand and promote the impact of the film/video/digital industry in Arizona. Please provide answers to the following questions about your film commission or film contact to the best of your ability.	
#	Question
1	What year did your community establish a local film commission/contact?
2	Which of the following entities provide funding for your film commission/contact? <div style="display: flex; justify-content: space-between;"> <div> <ul style="list-style-type: none"> * Tourism Board * Economic Development * Chamber of Commerce * City funding * County funding * Private sector </div> <div> <ul style="list-style-type: none"> * Private sector * Grants * Local fundraising * Other </div> </div>
3.1	Total budget in 2003
3.2	% spent on marketing to recruit out-of-state productions
3.3	% spent on location selection activities
3.4	% spent on local assistance with permits, securing suppliers, etc.
3.5	Other
4	How many staff members work on film projects?
5	Realizing that film projects may be very sporadic, what is the average number of hours per week that staff members work on projects?
6	Please provide the names of all projects with a budget greater than \$1,000 produced in your area in 2003.
7	In filming commercials, how many days were spent in production and post-production in Arizona, how many jobs were created, and what was the total budget?
7.1	Total # Production Days
7.2	Total # Jobs
7.3	Total Budget

Appendix B - Survey Instruments	
Arizona Film Commissions (Cont'd)	
#	Question
8	In filming feature films, how many days were spent in production and post-production in Arizona, how many jobs were created, and what was the total budget?
8.1	Total # Production Days
8.2	Total # Jobs
8.3	Total Budget
9	In filming for network and cable television, how many days in production and post-production in Arizona, how many jobs were created, and what was the total budget?
9.1	Total # Production Days
9.2	Total # Jobs
9.3	Total Budget
10	What are the top three issues affecting your ability to recruit out-of-state productions to your area?
11	Please describe the value of the film/video/digital industry to your local area?
12	Do you have any suggestions about how to better promote and market the film/video/digital industry in Arizona?

Appendix B - Survey Instruments	
Film Festivals	
Your participation in this survey is critical in helping the Arizona Film Office better understand and promote the impact of the film/video/digital industry in Arizona. Please provide answers to the following questions about the festival to the best of your ability.	
#	Question
1	What was the first year that the festival was held?
2	Please provide the following information for the first year of the festival: a. Full-Time Equivalent (FTE) Employees b. Number of Volunteers c. Number of Days in Festival d. Number of Films Shown e. Total Attendance (including film festival participants & guests)
3	Please provide the following information concerning the festival in 2003: a. Full-Time Equivalent (FTE) Employees b. Number of Volunteers c. Number of Days in Festival d. Number of Films Shown e. Total Attendance (including film festival participants & guests)
4	What is your best estimate of the percentage of those attending the festival (including film festival participants and guests) who spend at least one night in hotels or motels in Arizona?
5	What is the average length of stay for the above mentioned out-of-town participants and guests?
6	Of the films shown at the 2003 festival, what percentage was shot either partially or entirely in Arizona?
7	Of the films shown at the 2003 festival, what percentage was produced by Arizona producers?
8	Does your festival dedicate a portion of its activities to showcase the Arizona film/video/digital industry?
9	What is the estimated 2003 total gross revenue for the festival?
10	What are the estimated 2003 total expenses for the festival?
11	Of the estimated 2003 total expenses, what percentage is spent in Arizona?
12	Do you have any suggestions about how to better promote and market film festivals in Arizona?

Appendix B - Survey Instruments															
Film Industry Supply															
<p>Your participation in this survey is critical in helping the Arizona Film Office better understand and promote the impact of the film/video/digital industry in Arizona. Please provide answers to the following questions about your company to the best of your ability. Your answers will remain confidential, as they only will be used in the aggregate.</p>															
#	Question														
1	In what year was your company formed?														
2	Which category best describes the services your company provides?														
3	<p>To which of the following segments of the film/video/imaging industry do you provide services?</p> <table border="0"> <tr> <td>* Commercials</td> <td>* Stills</td> </tr> <tr> <td>* Stock footage</td> <td>* TV/Cable: Movie of the Week</td> </tr> <tr> <td>* TV/Cable: Single/Special</td> <td>* Sports programming</td> </tr> <tr> <td>* Feature films</td> <td>* Music videos</td> </tr> <tr> <td>* Short films</td> <td>* Industrials/Corporate films</td> </tr> <tr> <td>* TV/Cable: Episodic</td> <td>* Internet</td> </tr> <tr> <td>* Documentaries</td> <td>* Other</td> </tr> </table>	* Commercials	* Stills	* Stock footage	* TV/Cable: Movie of the Week	* TV/Cable: Single/Special	* Sports programming	* Feature films	* Music videos	* Short films	* Industrials/Corporate films	* TV/Cable: Episodic	* Internet	* Documentaries	* Other
* Commercials	* Stills														
* Stock footage	* TV/Cable: Movie of the Week														
* TV/Cable: Single/Special	* Sports programming														
* Feature films	* Music videos														
* Short films	* Industrials/Corporate films														
* TV/Cable: Episodic	* Internet														
* Documentaries	* Other														
4	How many full-time equivalent (FTE) staff members did your company employ in 2003? (*FTE = one full-time employee (e.g., 1 person working 40 hrs/wk = 1 FTE; 2 people working 20 hrs/wk each = 1 FTE). Note: 1 person salaried to work 40 hrs/wk who works greater than 40 hrs/wk = 1 FTE.)														
5	What is the estimated 2003 gross revenue for your company?														
6	Of your company's 2003 total revenue, what percentage was derived from out-of-state sources?														
7	What were the estimated 2003 expenses for your company?														
8	How much did your company spend on other operating expenses in 2003?														
9	What are the top three issues affecting your ability to conduct business in Arizona?														

Appendix B - Survey Instruments															
In-House Production															
<p>Your participation in this survey is critical in helping the Arizona Film Office better understand and promote the impact of the film/video/digital industry in Arizona. Please have the person most familiar with your company or organization's film and video production provide answers to the following questions. If your company/organization does not have an in-house production unit, please answer questions 1-4 and return the survey. If your organization does have an in-house production unit, please complete all questions and return the survey. To maintain confidentiality, your answers will only be used in the aggregate. Thank you.</p>															
#	Question														
1	<p>Please identify the areas where your company/organization produced a film or video production in 2003.</p> <table border="0"> <tr> <td>* Commercials/Promos</td> <td>* Sports programming</td> </tr> <tr> <td>* Infomercials</td> <td>* Training videos</td> </tr> <tr> <td>* Interstitial</td> <td>* Music videos</td> </tr> <tr> <td>* Documentaries</td> <td>* Stock footage</td> </tr> <tr> <td>* Television & Cable</td> <td>* Internet</td> </tr> <tr> <td>* Industrial/corporate film</td> <td>* Other</td> </tr> <tr> <td>* Stills</td> <td></td> </tr> </table>	* Commercials/Promos	* Sports programming	* Infomercials	* Training videos	* Interstitial	* Music videos	* Documentaries	* Stock footage	* Television & Cable	* Internet	* Industrial/corporate film	* Other	* Stills	
* Commercials/Promos	* Sports programming														
* Infomercials	* Training videos														
* Interstitial	* Music videos														
* Documentaries	* Stock footage														
* Television & Cable	* Internet														
* Industrial/corporate film	* Other														
* Stills															
2	What was the total estimated fixed cost (including payroll) of IN-HOUSE production for 2003?														
3	What was the total amount spent on OUTSOURCED production in 2003?														
4	What percentage of your company or organization's film/video production was OUTSOURCED TO PRODUCTION COMPANIES IN ARIZONA in 2003?														
5	What year was your company/organization's in-house production unit formed?														
6	How many full-time equivalent (FTE) staff members did your company employ for production in 2003? (*FTE = one full-time employee (e.g., 1 person working 40 hrs/wk = 1 FTE; 2 people working 20 hrs/wk each = 1 FTE). Note: 1 person salaried to work 40 hrs/wk who works greater than 40 hrs/wk = 1 FTE.)														
7	What is the size of your company/organization's production facility in square feet?														

Appendix B - Survey Instruments	
In-House Production (Cont'd)	
#	Question
8	Which of the following categories best describes your production facilities' equipment? * Film * Editing (film) * Video * Editing (video) * Digital/HD * Editing (digital/HD) * Sound states * Film processing * Sound sweetening
9	Please provide a list of the basic equipment in your company or organization's production facility.
10	Does your company/organization use its in-house facilities to provide production services to other companies, non-profits, or education? - If yes, what percentage was in-state?
11	How much outside revenue did your company/organization generate in 2003 by providing in-house production to other companies?
12	Please describe any in-house production your company/organization provided in 2003 for other companies.
13	What are the top three issues affecting your ability to conduct business in Arizona?

Appendix B - Survey Instruments													
Production Companies													
<p>Your participation in this survey is critical in helping the Arizona Film Office better understand and promote the impact of the film/video/digital industry in Arizona. Please provide answers to the following questions about your production company to the best of your ability. To maintain confidentiality, your answers will only be used in the aggregate.</p>													
#	Question												
1	In what year was your company formed?												
2	<p>How many full-time equivalent (FTE) staff members did your company employ in 2003?</p> <p>(*FTE = one full-time employee (e.g., 1 person working 40 hrs/wk = 1 FTE; 2 people working 20 hrs/wk each = 1 FTE). Note: 1 person salaried to work 40 hrs/wk who works greater than 40 hrs/wk = 1 FTE.)</p>												
3	Is your company primarily engaged in production, distribution, or both?												
4	<p>Please estimate the number of projects that your company produced in 2003.</p> <table border="0"> <tr> <td>* Commercial</td> <td>* Television & cable</td> </tr> <tr> <td>* Industrial / Corporate film</td> <td>* Stills</td> </tr> <tr> <td>* Documentaries</td> <td>* Sports programming</td> </tr> <tr> <td>* Feature films</td> <td>* Music video</td> </tr> <tr> <td>* Short films</td> <td>* Stock footage</td> </tr> <tr> <td>* Internet</td> <td></td> </tr> </table>	* Commercial	* Television & cable	* Industrial / Corporate film	* Stills	* Documentaries	* Sports programming	* Feature films	* Music video	* Short films	* Stock footage	* Internet	
* Commercial	* Television & cable												
* Industrial / Corporate film	* Stills												
* Documentaries	* Sports programming												
* Feature films	* Music video												
* Short films	* Stock footage												
* Internet													
5	Please estimate the total gross revenue for each of the following categories in 2003.												
6	Estimate your 2003 revenues for all production activities												
7	Of your 2003 total revenue, what percentage was derived from out-of-state sources?												
8	What was your estimated cost for freelance crews in 2003?												
9	Of your total estimated cost for freelancers, what percentage was spent on Arizona crews?												
10	How much did your company spend on fixed expenses in 2003?												

Appendix B - Survey Instruments	
Production Companies (Cont'd)	
#	Question
11	What were your total job/project expenses in 2003?
12	Of your total job cost expenses in 2003, what percentage was spent in Arizona?
13	<p>From what sources do you recruit your employees?</p> <ul style="list-style-type: none"> * College/University Career Centers * Job agencies * Technical schools * Internship programs * Apprenticeships * Word-of-mouth * Other training schools * Advertisements * Community bulletin * Professional associations * Trade publications * TV * Internet * Radio * Other
14	What type of job skills do you look for when hiring staff?
15	<p>From what sources do you recruit your suppliers?</p> <ul style="list-style-type: none"> * Trade directory * Phone book * Professional Associations * Word of mouth * Advertisements * Trade publications * Television * Other
16	Please list your top five major suppliers including the city and state that they are located in for the projects noted in question 3.
17	What are the top three issues affecting your ability to conduct business in Arizona?

Appendix B - Survey Instruments							
School Districts							
<p>Your participation in this survey is critical in helping the Arizona Film Office better understand and promote the impact of the film/video/digital industry in Arizona. Please have the person who is most familiar with the film programs in your district provide answers to the following questions.</p>							
#	Question						
1	How many students attended your high school during the 2002-2003 school year?						
2	<p>What type of 'behind the camera' career skills are being taught at your high school?</p> <table border="0"> <tr> <td>* Camera operation</td> <td>* Animation</td> </tr> <tr> <td>* Film editing</td> <td>* Sound editing</td> </tr> <tr> <td>* Film processing</td> <td>* Other</td> </tr> </table>	* Camera operation	* Animation	* Film editing	* Sound editing	* Film processing	* Other
* Camera operation	* Animation						
* Film editing	* Sound editing						
* Film processing	* Other						
3	Does your school have a production facility? - If yes, what is the size of your production facility in square feet?						
4	In which of the following areas do you own equipment?						
5	What type of student productions has your high school produced in the past two years (and how many)?						
5.1	Commercials						
5.2	Documentaries						
5.3	Music Videos						
5.4	Stock Footage						
5.5	Animated Films						
5.6	Other						
6	Approximately how many graduating seniors have gone on to enroll in college/university film programs in the past three years?						
6.1	Total						
6.2	In-State						
6.3	Out of State						
7	What role do you think film education in secondary schools will have in the film/video/digital industry in the next five years?						

Appendix B - Survey Instruments											
Universities & Colleges											
<p>Your participation in this survey is critical in helping the Arizona Film Office better understand and promote the impact of the film/video/digital industry in Arizona. Please have the person who is most familiar with the film studies program at your institution provide answers to the following questions.</p>											
#	Question										
1	What year did your program start?										
2.1	Students Enrolled										
2.2	Full-Time Equivalent (FTE) Faculty										
2.3	Full-Time Equivalent (FTE) Staff										
2.4	Courses/Year										
3.1	Students Enrolled										
3.2	Full-Time Equivalent (FTE) Faculty										
3.3	Full-Time Equivalent (FTE) Staff										
3.4	Courses/Year										
4	Please give a brief description of the focus of your film/video/digital program at your institution. (For example, training behind the camera, video production, post-production, etc.)										
5	What degrees relating to the film/video/digital industry does your institution offer?										
6	What concentrations relating to the film/video/digital industry does your institution offer?										
7	<p>In which of the following degree programs or subject areas does your institution offer film/video/digital production classes or concentrations?</p> <table border="0"> <tr> <td>* Film/TV studios</td> <td>* Broadcast Journalism</td> </tr> <tr> <td>* Theatre</td> <td>* Telecommunications</td> </tr> <tr> <td>* Media</td> <td>* Communications</td> </tr> <tr> <td>* Drama</td> <td>* None</td> </tr> <tr> <td>* Other</td> <td></td> </tr> </table>	* Film/TV studios	* Broadcast Journalism	* Theatre	* Telecommunications	* Media	* Communications	* Drama	* None	* Other	
* Film/TV studios	* Broadcast Journalism										
* Theatre	* Telecommunications										
* Media	* Communications										
* Drama	* None										
* Other											
8	What job skills, specifically related to the film/video/digital industry, are being taught?										
9	<p>Which of the following do you offer students relating to the film/video/digital industry?</p> <table border="0"> <tr> <td>* Mentorship program</td> <td>* Paid internship</td> </tr> <tr> <td>* Volunteer internships</td> <td>* Career counseling</td> </tr> <tr> <td>* Job databank</td> <td>* Student film festivals</td> </tr> <tr> <td>* On-campus recruiters</td> <td>* Job fairs</td> </tr> <tr> <td>* Job shadowing</td> <td>* Other</td> </tr> </table>	* Mentorship program	* Paid internship	* Volunteer internships	* Career counseling	* Job databank	* Student film festivals	* On-campus recruiters	* Job fairs	* Job shadowing	* Other
* Mentorship program	* Paid internship										
* Volunteer internships	* Career counseling										
* Job databank	* Student film festivals										
* On-campus recruiters	* Job fairs										
* Job shadowing	* Other										

Appendix B - Survey Instruments	
Universities & Colleges (Cont'd)	
#	Question
10	Does your program provide consulting/production to generate revenue or to provide student experience?
11	Does your institution have a production facility? - If YES, what is the size of your production facility in square feet?
12	In which of the following areas do you own equipment?
13	Which of the following categories best describes your production facilities' equipment? * Film * Video * Digital/HD * Sound states * Sound sweetening * Editing (film) * Editing (video) * Editing (digital/HD) * Film processing
14	What role do you think higher education and technical training will have in the film/video/digital industry in the next five years?
15	Does your program have a website? - If yes, please provide the web address:
16	Please provide up-to-date contact information for your program.